European dynasty
Wallenberg edifice extends its grasp
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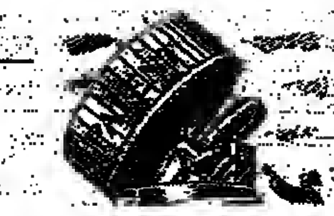

Drugs in demand
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Handy phone as killer product?
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FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY SEPTEMBER 1 1994 — D8523A

Losses prompt calls for tightening of derivatives market

Heavy losses on financial derivatives trading by a Maryland county administration are fuelling calls in the US Congress for legislation to tighten oversight of the derivatives market. Charles County, Maryland, said its deputy treasurer had been dismissed after the county discovered a loss of an estimated $1.3m on investments in derivatives, including mortgage-backed securities. Page 7

Japan offers Y100bn war atonement: Japan is to spend Y100bn ($1.01bn) on historical research and cultural projects to promote peace in Asia, in an attempt to atone for second world war aggression. Page 16

Turnround for Daimler-Benz: German automotive and aerospace group Daimler-Benz reported an operating profit of DM926m ($590m) compared with a loss of DM2.4bn in the same period a year ago. Page 17; Lex, Page 16

Japan prices latest sell-off: The Japanese finance ministry put a higher-than-expected market value of Y2,876bn ($28.7bn) on Japan Tobacco, the country's monopoly cigarette manufacturer, which is to be privatised. Page 17

Metallgesellschaft freed from contracts: Metallgesellschaft, the struggling German metals and engineering group, negotiated its way out of a series of crippling contracts with a US oil refiner. Page 17

Asia-Pacific pledge on trade urged: Leaders of the 17 countries of the Asia-Pacific Economic Co-operation forum should commit themselves to eliminating all barriers to trade and investment in the region, an international advisory panel recommends. Page 6

TNT returns to profit: A strong contribution from its 50 per cent interest in Ansett Airlines helped Australian transportation and package delivery group TNT, to post-tax annual profits of A$105.1m (US$77.2m), compared with a loss of A$256.7m a year earlier, when TNT faced some heavy one-off charges. Page 20

China moves to scrap Hong Kong reforms: China's intention to disband elected assemblies in Hong Kong became law when the National People's Congress empowered a yet-to-be-appointed group to establish a fresh political order in Hong Kong after 1997. Page 5

SBC in US deal: Swiss Bank Corporation, Switzerland's third largest bank, is to acquire Brinson Partners, a US investment management firm, as part of its strategy for building up a global institutional asset management business. Page 17

TVB moves 70% ahead: Hong Kong television company Television Broadcasts surprised the stock market when it reported a 70 per cent increase in first-half net earnings to HK$278m ($36m). Turnover was up nearly 36 per cent. Page 20

Cabin staff vote to strike: Cabin crew at Britannia Airways, the UK's second largest airline, have voted to take strike action in support of their annual pay claim. Page 10

Profits fall at AGF: Assurances Générales de France, French insurance group which is a keen candidate for privatisation, announced a fall in first-half net profits to FFr1.04bn ($190m) from FFr1.11bn in the same period last year. Page 19

Strong sales lift Astra: Swedish pharmaceuticals group Astra reported a 23 per cent jump in first-half profits to SKr4.50bn ($581m), with strong sales growth more than compensating for a sharp drop in financial income. Page 18

£1.5bn target for Broadgate: Potential buyers of Broadgate Properties, London property investment company owned jointly by Stanhope and Rosehaugh, are being given a three-year valuation target of £1.5bn ($2.3bn), compared with its most recent valuation of £935m. Page 10; Lex, Page 24

BT cuts prices: British Telecommunications cut the price of long-distance calls within the UK by up to a quarter in a move likely to increase pressure on its competitors in the business market. Page 10; Lex, Page 17

Britain may pull out of World Cup: British Athletic Federation officials were meeting last night to decide whether to withdraw from next week's World Cup after the second sample of a drugs test taken from 800 metres runner Diane Modahl proved positive. Modahl pledged to prove her innocence.

Lindsay Anderson dies: Film and theatre director Lindsay Anderson, whose films included *If* and *This Sporting Life*, died, aged 71, while on holiday in France. Page 13

■ STOCK MARKET INDICES		
FT-SE 100	3,251.3	(+1.7)
Yield	3.87	
FT-SE Eurotrack 100	1,405.52	(+3.62)
FT-SE-A All-Share	1,626.64	(+0.1%)
Nikkei	20,628.53	(+36.41)
New York lunchtime:		
Dow Jones Ind Ave	3,913.10	(-4.20)
S&P Composite	475.59	(-0.50)
■ US LUNCHTIME RATES		
Federal Funds	4 15/16%	
3-mo Treas Bills: Yld	4.667%	
Long Bond	100 3/16	
Yield	7.478%	
■ LONDON MONEY		
3-mo interbank	5 13/16%	(5 23/32%)
Liffe long gilt future:	Dec 101 13/32	(Sep 102 3/8)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Oct)	$16.495	(16.255)
■ GOLD		
New York Comex (Dec)	$390.8	(390.8)
London	$386.25	(386.5)

■ STERLING		
New York lunchtime:		
$	1.53635	
London:		
$	1.5365	(1.5333)
DM	2.4251	(2.4233)
FFr	8.2966	(8.2937)
SFr	2.0436	(2.0447)
Y	153.910	(152.816)
£ Index	79.1	(79.0)
■ DOLLAR		
New York lunchtime:		
DM	1.58005	
FFr	5.407	
SFr	1.332	
Y	100.13	
London:		
DM	1.5783	(1.5805)
FFr	5.4018	(5.409)
SFr	1.33	(1.3336)
Y	100.175	(99.665)
$ Index	63.3	(same)
Tokyo close Y 99.57		

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$16	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira70	S. Africa	R12.00		
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Estonia	EKr 30	Jordan	JD1.50	Philippines	Pso60	Syria	S£50.00		
Finland	FM14	Kuwait	Fils625	Poland	Zl 38,000	Tunisia	Din1.500		
France	FFr9.50	Lebanon	US$1.50	Portugal (m'land)	Esc225	Turkey	L30000		
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00		

British prime minister sounds note of caution after historic ceasefire announcement

IRA calls halt to 25 years of terror

By Michael Cassell, David Owen, Tim Coone and George Graham

The high-risk effort by the British and Irish governments to create a lasting peace in Northern Ireland took a historic step forward yesterday with the announcement of an open-ended IRA ceasefire starting at midnight.

The announcement that 25 years of violence, which has engulfed the UK and several European countries, is to end with "a complete cessation of military operations" was warmly welcomed in Dublin and Washington, and more hesitantly in London.

At the same time the IRA's failure to comply with British and Irish demands to declare openly a permanent end to its armed campaign triggered an immediate note of caution from Mr John Major, the British premier.

Mr Major, whose standing will be enhanced by an enduring peace, made clear the government would not contemplate allowing Sinn Fein, the IRA's political wing, into talks on Ulster's future until it was clear beyond doubt that violence had been renounced for good.

"I don't mind how it is expressed. I don't mind if it is said that the armed conflict is over, that the days of violence are gone for good. But I do need to know that violence has ended for good and that it isn't a temporary ceasefire," said Mr Major.

Dublin, however, did not share Downing Street's caution. Mr Albert Reynolds, the Irish premier, appeared satisfied with the IRA statement: "A total cessation of violence is a total cessation of violence and I am not going to quibble over words."

Mr Reynolds continued: "There is now an historic opportunity to take the gun out of Irish politics for ever and to achieve a new and far-reaching political accommodation in a transformed atmosphere".

Mr Gerry Adams, Sinn Fein president, brushed aside reservations and called on Mr Major and unionist leaders to "seize the moment". The IRA leadership had "courageously created an unprecedented opportunity which brings Anglo-Irish relations to a decisive point".

The prime minister acknowledged that the IRA decision represented "a great step forward" but he moved to reassure unionists that there had been "no secret deals, no secret understandings".

He added: "Northern Ireland is part of the United Kingdom for so long as people in Northern Ireland wish to remain part of the UK. They will do so with the support of this government and I hope future governments."

Mr James Molyneaux, leader of the Ulster Unionists, echoed London's suspicions by calling on the IRA to take the "modest but very vital step" of confirming a permanent end to violence.

Despite the government's public hard-line on the IRA's omission of the word "permanent" from its declaration, there were strong indications at Westminster last night that ministers might consider an early lifting of the broadcasting ban on representatives of Sinn Fein, including Mr Adams.

President Clinton who described the IRA statement as a "watershed announcement", also called on the IRA to ensure that its violent campaign ended permanently.

The US president yesterday spoke to both Mr Major and Mr Reynolds. In his conversations Mr Clinton made clear the US government's intention to assemble an additional aid package to help the peace process along.

With the IRA ceasefire under way, the scale of the political difficulties facing all the parties involved became apparent.

Sir Patrick Mayhew, Northern Ireland Secretary, made clear that the British government intends to stick to its three-month "probation" period before talks could begin on how to admit Sinn Fein to the political process.

> *"It is an historic day. John Major and the leaders of unionism should seize the moment"*
> – Sinn Féin president Gerry Adams

> *"We need to be clear that this is indeed intended to be a permanent renunciation of violence."*
> – John Major, UK prime minister

> *"This momentous decision is in keeping with the overwhelming .. wish for peace of the vast majority of the Irish people."*
> – Albert Reynolds Irish PM

Gerry Adams clasps the hand of a well-wisher yesterday near Sinn Féin headquarters in Belfast Picture: Reuter

THE IRA CEASEFIRE

Pages 8 and 9
- Prize has never been closer, but risks remain
- Clinton hails start of a 'new era'
- Limits of republican patience may face test

Page 15
- Editorial Comment: The prize in Ulster

Japanese court backs Fujitsu over TI chip patent

By Michiyo Nakamoto in Tokyo and Louise Kehoe in San Francisco

A Japanese court ruled yesterday that semiconductors made by Fujitsu, the Japanese electronics and computer manufacturer, do not infringe a patent covering the invention of the integrated circuit or semiconductor chip, which is held by Texas Instruments of the US.

The court's decision highlights the gap between the two countries in the interpretation and enforcement of patent rights.

The decision appears likely to increase friction between the US and Japan over intellectual property rights. A spokesman for the US trade representative said US trade officials were "aware of and interested in the case".

Mr Richard Agnich, Texas Instruments' senior vice-president and general counsel, said the decision "flies in the face of logic and justice". The company would file an appeal, he said.

The legal dispute goes back to 1991 when Fujitsu asked the court to declare that the "Kilby" patent, named after the co-inventor of the semiconductor chip, does not apply to modern-day memory chips.

Texas Instruments then sought an injunction to halt Fujitsu's manufacture and sale of memory chips.

The Tokyo district court decided that Fujitsu's products did not infringe the Kilby patent on the ground that the patent covers old technology not being used today. For Texas Instruments, the decision is particularly onerous because the company has been fighting for its Kilby patent in Japan since 1959, when the company filed its application with the Japanese patent office. It took the US company close to 30 years, however, to win the patent, which was awarded in 1989 after opposition from Japanese companies.

Japan has a "first to file" patent system, unlike the US system, which is based on the principle of "first to invent". In addition, patents in Japan can be challenged before they are granted, whereas in the US opposing claims are filed after the patent is granted.

"We are deeply disturbed by a patent system that keeps a major invention tied up in the Japan patent office for 29 years, and, when the patent is issued, in effect claims that it covers old technology and does not pertain to products made today," Mr Agnich said.

Japanese courts have generally interpreted patents narrowly, enabling Japanese companies to obtain numerous "improvement patents" covering related developments.

Texas Instruments has already won licensing agreements for the Kilby patent, which expires in 2001, from 16 Japanese semiconductor makers. In addition to Fujitsu, Sanyo has also refused to license the patent although both companies have cross-licensing agreements with Texas for thousands of other patents.

In mid session in New York, Texas Instruments stock was trading at $78¾, down from Tuesday's close of $82¼.

US forecasts raise hopes for steady economic growth

By George Graham in Washington

The US government's principal economic forecasting measure stayed flat in July, adding to economists' expectations that the US may avoid the sort of boom and bust that has plagued most past expansions.

The Commerce Department said its index of leading economic indicators, a composite of 11 statistics intended to gauge the strength of the economy roughly six months ahead, was unchanged in July at 101.5.

The index has risen steadily for the past 12 months, but after rising by more than 2 per cent in the last half of 1993, it has gained only a little over 1 per cent in the first half of this year.

A large majority of economic forecasters, ranging from those within the Clinton administration to private sector economists, now anticipates some form of soft landing for the US economy over the next two years.

The Federal Reserve's policy of raising interest rates in five steps this year is expected to have taken enough of the steam out of the economy to prevent rapid growth, leading companies to raise prices and workers to increase wage demands.

The expansion is expected to continue, although more steadily, with the Fed not needing to raise interest rates dramatically to choke off inflation.

Yesterday's economic data added to the view in the financial markets that the economy is losing speed, and that growth in the third quarter of this year is likely to be slower than in the second.

Only three of the index's components – changes in the price of sensitive materials, building permits, and average weekly claims for unemployment insurance – increased in July, while six elements fell.

At the same time, the Commerce Department said new orders for manufactured goods fell by 2.3 per cent in July to a seasonally adjusted level of $273.3bn. That takes manufacturing orders to their lowest level since February.

One other indicator, the Chicago purchasing managers' index, dropped to 61.6 per cent in August from 63.0 per cent in July, but showed a sharp increase in prices paid for materials. The closely watched National Purchasing Managers' index is due to be published today, while the attention of the financial markets is focused on employment statistics tomorrow.

Kohl's party to unveil EU reform proposals

By Quentin Peel in London and Alice Rawsthorn in Paris

Chancellor Helmut Kohl's Christian Democratic Union, the majority partner in the ruling German coalition, will today unveil its strategy for the next big reform step in the European Union calling for the overhaul of all EU institutions and formalisation of the idea of a multi-speed community.

The plan seeks to limit the veto rights of individual member states over the reform process, to boost the powers of the European Parliament to exercise democratic control over the Council of Ministers and the European Commission, and to reduce the council itself to the role of a "second chamber" to the parliament.

It will call for reinforcement of a "hard core" of the EU, and further strengthening of the close relations between France and Germany as its driving force.

The document will be presented today by Mr Wolfgang Schäuble, leader of the Christian

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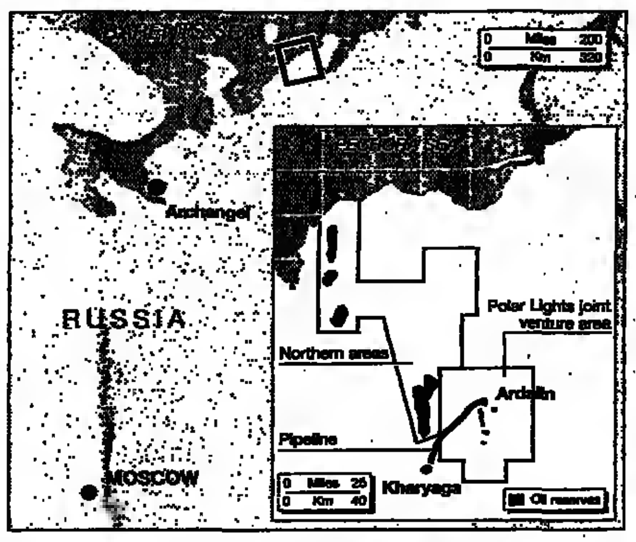
Project is small but carries considerable symbolic importance

Conoco joint venture starts to pump oil from Russian field

By John Thornhill in Moscow



The Polar Lights joint venture between Conoco and Archangelskgeologia, which started producing oil in the virgin tundra of northern Russia yesterday, is being hailed as a beacon of hope amid the gloom that shrouds the Russian oil industry.

When the Soviet Union fell apart, Conoco was just one of droves of western oil companies which came to Russia with high hopes of breaking into what was the world's biggest crude oil and gas producer. Many other oilmen are now heading home disillusioned with the legislative and bureaucratic frustrations.

Conoco and Archangelskgeologia have succeeded where others have failed largely through sheer persistence – and some useful political backing from Presidents Bill Clinton and Boris Yeltsin. Their Ardalin field is the first to be developed by a joint venture company and the partners hope to make a good return on their $375m investment by selling the oil abroad.

Representatives of other western oil companies in Moscow suggest the achievement should not be underestimated nor should the deal's symbolism be ignored. But, they stress, it is important to set the deal in context: the investment is relatively small; big risks remain.

By global industry standards, the Ardalin field, 1,000 miles northeast of Moscow, is minuscule, with peak production of 25,000 barrels a day expected by 1996. The exploration risks have also been slight. Russian geologists discovered oil reserves in the Timan Pechora basin years ago but did not exploit them as the central economic planners directed resources towards western Siberia. Moreover, the field is relatively straightforward to exploit despite being located in the Arctic Circle.

Whila proud at what has been achieved to date, the cheery Mr Constantine Nicandros, Conoco's president and chief executive, is realistic about what remains left to do. "Ardalin is interesting but we would not have come to Russia just to do this project. There are far bigger fields in the northern area waiting to be developed. Yon could be looking at another Alaska, a second Prudhoe Bay. Although there is not one individual field, tha Timan Pechora region could produce about 5bn-10bn barrels," he says.

Conoco is studying projects which would require a further $5bn of gross investment. Four other western companies, Amoco, Texaco and Exxon from the US, and Norsk Hydro from Norway, have also been co-operating on developing reserves in the tha same Nenets region while Shell and Saga are also aiming to develop other fields nearby. The companies are studying whether it would be feasible to build an offshore terminal handling about 450,000 barrels a day at a cost of $2bn.

But before committing such sums, the companies say they need a change in Russian tax and business legislation. "Only when the legal system in this country changes, such that we can operate with confidence, can we be optimistic that we can develop this region," says one consortium member.

Even the Ardalin field could fall victim to the ever-changing legislative regime. The project's viability is dependent on the continuation of a temporary energy ministry waiver, specifically for the project, of the customary $5 a barrel export tax. Polar Lights also relies on a precarious web of 10 interlocking contracts to sell oil abroad. Because Polar Lights does not yet have a direct pipeline to the west, it is obliged to swap its oil with other Russian producers with access to western markets.

"We all had doubts about this arrangement and those doubts remain. The difficulties of getting oil to a western customer makes things very complicated," says Mr Anatoly Kazakov, general director of Archangelskgeologia.

The lack of roubla convertibility and the artificially low price of oil within Russia would ruin the project's economics if those export arrangements broke down.

Russian nationalists are also hostile to granting production licences to western companies. But the counter-argument is that Russia's economic self-interest will prevail.

Mr Kazakov says his company and Russian federal and local governments will receive 70 per cent of the $2bn income the Ardalin field is expected to generate over the next 16 years. Without such income, he suggests, the Russian government cannot afford to develop the industry by itself. Already the government has delayed Rbs10bn (£3m at the market rate) of payments to Archangelskgeologia, meaning many of its workers have not been paid. "The government should declare itself bankrupt," Mr Kozakov says with grim humour.

That may leave an opportunity for western companies. Mr Nicandros is certainly convinced of the possibility. "Russia is probably still the biggest oil and gas producer in the world," he says, "and to ignore it means you are not going to participate in a significant part of the global business. There are risks. But you can analyse these things to death and it will just be what it will be. All you can do is make your best judgment at the time."

President Boris Yeltsin with Russian army officers at the formal military departure ceremony in Berlin yesterday Reuter

E Europe on the road to easier travel

A 20,000km network is spreading across the map, writes **Frances Williams**

Slowly and without fanfare, a 20,000km motorway system linking the Baltic Sea with the Aegean and the Black Sea with the Adriatic is taking shape in eastern Europe.

If the planners' dreams come true, some day not too far distant cars and trucks will be able to speed along a virtually seamless highway from Gdansk to Gurbulak on Turkey's bordsr with Iran and from Genoa to Constanta, Romania's Black Sea port.

The network is already a quarter complete; a quarter is under construction. Nearly 200km will be opened this year and a further 200km in 1995.

The Trans-European Motorway (TEM) is matched by a similar network of designated international rail routes, the Trans-European Railway (TER), aimed at developing a coherent and efficient rail and combined transport system for eastern Europe.

Co-ordinating these grandiose schemes, conceived well before the collapse of communism in 1989, is a reticent United Nations organisation, the Economic Commission for Europe. The Geneva-based ECE, whose 54 members span western and eastern Europe and North America, is responsible for 50-odd pan-European transport conventions, perhaps the best known being the TIR international lorry system.

Tackling the dreadful state of their transport infrastructure, and the serious bottlenecks at western borders, has become an important priority for the governments of central and eastern Europe. Success in moving towards a market economy now depends on boosting exports, primarily to the west, while the tearing down of the Iron Curtain has vastly increased the numbers of people on the move.

Yet the region (excluding Russia) boasts just 5,000km of motorways, compared with more than 40,000km in western Europe, and most of the remaining road network is crumbling. Only a tiny fraction of rail lines meets standards commonplace in the west. Many are in disrepair, and countries have different technical and operating standards which make it difficult quickly to move goods across frontiers.

The severe recession in most of central and eastern Europe that followed the upheavals of 1989 led to big falls in traffic. But now that economic activity is picking up, for instance in Poland and the Czech Republic, the deficiencies of the creaking road and rail systems are becoming all too apparent.

At the same time, says Mr José Capel Ferrer, head of the ECE's transport division, the financial constraints on these countries are even tighter than before. Though some help has been promised hy the west, notably through the European Union's Phare assistance programme, governments will have to find the bulk of the resources to improve transport infrastructures themselves.

Partly in the hope of maximising western aid, and partly because of the need to get priorities right, eastern European governments have assigned a critical role to the TEM and TER projects. Both projects identify a "core" network of strategic modern transport links built and operated to common standards, as well as a staged plan of action to put them in place.

The TEM, covering eight eastern European nations, was originally launched in 1977 as a north-south motorway axis. The plan was rapidly recast after 1989 to include an extra 7,000km of east-west connections to carry the big increases expected in traffic volumes once economic recovery takes hold.

The short-term emphasis is now also less on building to full motorway standard (costing $5m-$10m a kilometre), especially where traffic levels do not yet justify it, and more on upgrading existing roads or building one motorway carriageway (to take two-way traffic), leaving the second for more prosperous times.

Financial constraints have propelled some countries to explore build-operate-transfer (BOT) schemes in which private companies finance construction and recompense themselves with tolls for a fixed period. With the bulk of the motorway network in western Europe complete, French, Italian and German companies are trawling hopefully for business in eastern Europe.

However, BOT plans have been bedevilled by arguments over terms, and contractors themselves have sometimes been discouraged by current low volumes of traffic.

Upgrading existing rail infrastructure and developing combined transport installations, envisaged by the 1985 TER plan, is proving even more difficult to fund than road-building. The 10 participant countries are now concentrating on tackling the most urgent problems, for instance, by relieving obvious bottlenecks.

The ECE is also laying stress not only on physical improvements to the rail network but on the need to change management attitudes. In the days of communism, long distance freight traffic was directed to the railways which carried, on average, two-thirds of all tonne-kilometres (against less than a fifth for western European countries).

Now, transport operators are free to use the roads which, even in their degraded state, offer quicker door-to-door deliveries. The result has been a dramatic decline in rail use.

To cope with the new situation, railway managers need to become more market oriented, exploit combined transport possibilities (road, rail and water) and simplify border procedures, the ECE says.

Greeks clasp hands over the Albanian border

Religion and language link local communities, but church is also fuelling discord between two states, writes **James Whittington** from Saranda, southern Albania

The morning church service is normally well attended in the two villages of Dervistani and Kónitsa. The Orthodox ritual of burning candles within a gallery of saints, and the intoning priest with his beard and ponytail, give the villagers a strong sense of their Greek identity.

Their common beliefs and language appear to transcend the Albanian-Greek border separating the two communities. But, like elsewhere in the Balkans, the church is also an invisible hand which is fuelling tension between Athens and Tirana over minority rights.

Dervistani and Kónitsa are small Greek villages, one in southern Albania, the other about 30km away in northern Greece. Both their economies are based on agriculture, forestry and remittances from emigrés, and both have famous priests.

In Dervistani, Fr Michailis Dakos, 77, was the first to conduct a public religious ceremony in Albania after 23 years of communist attempts to eradicate religion. He is now vigorously campaigning to improve the rights of the Greek minority in southern Albania. Two of his parishioners are among the five on trial in Tirana accused of working with Greek intelligence to encourage a secessionist movement in the south.

Like the Greek government, he thinks the trial is a set-up aimed at discrediting ethnic Greek nationalism. His demands focus on better education and cultural activities, but his agenda is ona of ethnic independence.

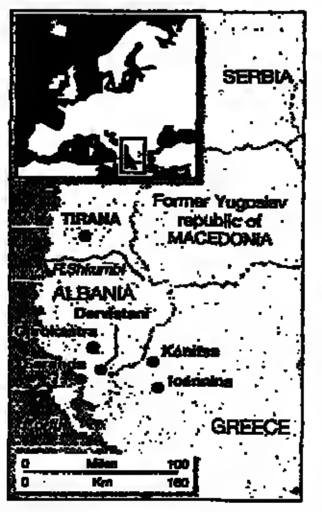
"We went to see better treatment for the [100,000 or so ethnic] Greeks living in Albania," he says. "We want our own education facilities, freedom to teach our language and history, and closer co-operation with the mother country [Greece]."

From Kónitsa, Bishop Sebastianos Economidis, 74, is trying to do just that. He runs a church-funded radio station called "The Voice of Orthodox Greeks" which, in the words of its manager, Mrs Michailidou Epicharis, is aimed at "educating" the Greek community in south Albania. Every afternoon it broadcasts Greek "programmes of history and culture" which the Albanian anthorities have branded as "dangerous propaganda". The bishop has often been accused of calling for a Greek invasion of south Albania to liberate the minority, and during the court case in Tirana, the state prosecutor has declared him *persona non grata*.

Priests and politics have become dangerously entwined in the southern Balkans. Last year, Fr Dakos's friend and colleague, Fr Chrysostomos Maidonis, was expelled by the Albanian authorities from Gjirokastra, the main town in the south, for his political activities which resulted in another wave of deportations of Albanians from Greece. As a result, many ordinary Albanians have become suspicious of men who have taken the cloth.

In theory, Albania's 3.4m population is 70 per cent Moslem, 20 per cent Orthodox, and 10 per cent Catholic. But as one ethnic Greek explained, the country has never been fanatical in its beliefs, and between 1967 and 1990 it was formally atheist. "Religion [in Albania] is imported," he says. "Most of us are not religious at all and it is often used as a cover."

With the fall of communism, the Greek Orthodox churches have taken on the issue of minority rights and the question of secession for ethnic Greeks with passion. They have adopted a particular version of history to support their arguments which date as far back as the ancient kingdom of Epirus – an area which included both Dervistani and Kónitsa and where Pyrrhus had his base in classical times – and to the London Conference on the Balkans in 1912 when the Great Powers gave Greece the area of Northern Epirus up to the Shkumbi river, now in central Albania. Things started to go wrong, they say, in Paris when in 1921 the Powers changed their minds and re-drew Albania as it is today. And then came the second world war and communism.



"After all this, it's only natural that our people over there turn to us for help," explains Mrs Epicharis at the radio station in Kónitsa.

While Greece continues to deport tens of thousands of non-Greek Albanians in anger at the trial in Tirana, visas are readily granted to the minority Greeks. Most of Dervistani's young men work in Greece and send remittances homa. Churches in Greece are financing the rehabilitation of Fr Dakos's chapel which was used under the Communists as a fertiliser store. The people of Kónitsa and other towns send the Greek minority in Albania medical aid, buses, and educational materials and are promoting commercial links by exporting televisions, radios, refrigerators and importing hand-made furniture and building stone.

The problem facing the still young but democratically elected government in Albania is how far it can let these links develop. A close relationship is one thing, but autonomy in the south could spell disaster. Growing tensions between Athens and Tirana is already distracting them from the urgent need to rebuild the country's economic and political structures. And the more they clamp down on political activism, especially when it concerns the church, the more the tension rises.

Mr Gentz Pollo, an adviser to Albania's President Sali Berisha, says: "The only way to resolve all this is through dialogue. Greece has so far rejected this way and we can only hope they will change their minds." While the politicians refuse to talk, many Albanians fear the church's voice will grow louder.

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EUROPEAN NEWS DIGEST

US to press Moldova plan

The American UN envoy, Ms Madeleine Albright, said yesterday that Washington was anxious to ensure that Russian troops leave Moldova and it was ready to act to encourage them to do so. Russia's 14th Army has been deployed in the breakaway Dnestr region of Moldova since Moldovan independence in 1991.

Earlier this month, Russia and Moldova finalised an agreement which stipulated the withdrawal of the 14th Army within three years. It is awaiting the approval of the Russian and Moldovan presidents, Mr Boris Yeltsin and Mr Mircea Snegur. Ms Albright said she had discussed the issue with Mr Snegur and the Moldovan foreign minister, Mr Mihai Popov. "Wa were discussing how the international community can be helpful in observing the departure of the 14th Army and what international approaches can help to keep the pressure on in order to make the army leave," she said.

She said she would urge Russian leaders, when in Moscow, to act without delay in withdrawing their forces from Moldova and other former Soviet republics. "This is not only good for the republics themselves, sucb as Moldova, bnt also for Moscow in order to have peace on its borders and in its former republics," she said. Moldova is the only former Soviet republic where Moscow keeps its forces without a formal agreement on military bases or any other accord. Russia has signed such treaties with the Transcaucasian states of Georgia and Armenia as well as with the Central Asian republic of Tajikistan. *Reuter, Kishinev*

Dutch PM sets out priorities

The Dutch prime minister, Mr Wim Kok, yesterday promised "work, work and more work" from his new coalition government to tackle rising crime, build prosperity and launch a review of foreign policy.

Presenting his government programme to the Dutch parliament, Mr Kok responded to criticism that his new coalition, which excludes the Christian Democrats and joins the Labour, conservative Liberal, and reformist D66 parties, would prove fragile. The coalition has heen dubbed "purple" because of the mix of the three parties' political colours. The government took 111 days to form after an inconclusive general election in May.

Mr Kok, former finance minister, inherits a sound economy emerging from a mild recession. As part of a modestly austere financial package, he has pledged funds to stimulate new jobs, financed by spending cuts.

Mr Kok warned that the cuts, aimed at health care, state pensions, higher education and child benefit, would mean "some painful measures". Foreign policy will be reviewed within two years, with a new emphasis on linking it to development co-operation. *Reuter, The Hague*

Doubts over Scharping pledge

Most Germans do not believe a campaign pledge by opposition leader Mr Rudolf Scharping to reject any pact with communists after October's general election, an opinion poll released yesterday showed.

The poll by the Allensbach Institute said 54 per cent of those surveyed said Mr Scharping, leader of the Social Democrats (SPD), would accept communist support if it was needed to become chancellor. Twenty-five per cent said they believed Mr Scharping, who insists he would reject any communist backing when a new parliament convenes. Even among SPD members, only 40 per cent believed Mr Scharping, while 38 per cent doubted his word and 22 per cent did not answer either way. The issue has dominated campaigning since the SPD in the eastern state of Saxony-Anhalt last month formed a minority state government based on tacit toleration from the Party of Democratic Socialism, the successors to East Germany's ruling Communist party. *Reuter, Bonn*

French unemployment falls

Further evidence of France's economic recovery emerged yesterday with the news that the level of unemployment fell slightly in July for the second month in succession. The number of people out of work in July fell by 10,800, or 0.3 per cent from June, with the overall jobless total reaching 12.6 per ceot, or 3.22m peopla, against 12.7 per cent for May. Rising unemployment has for the past four years been one of the toughest problems facing France.

The socialist government's failure to address the issue was a key factor behind its defeat in last year's parliamentary election and the recent reduction in the jobless figures has helped boost the popularity of Mr Edouard Balladur's centre-right odministration this summer. Economists anticipate further reductions in the unemployment figures during the autumn and winter, albeit at a gradual pace, given that the rate of growth is expected to slow. *Alice Rawsthorn, Paris*

Survey reveals small-scale EU

Only 7 per cent of the 14m businesses in the European Union have more than nine employees, according to a study by Eurostat. Enterprises with less than nine employees account for around a third of EU employment and a quarter of the EU's Ecu10,500bn (£8,368bn) annual turnover. Small businesses are particularly important in Italy and Spain where they form the backbone of the economy.

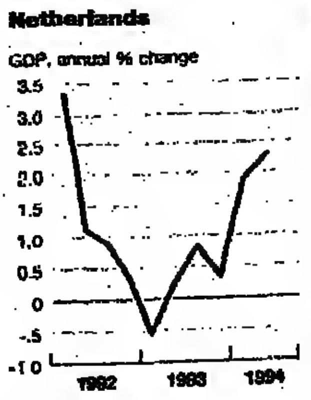
In Germany, France and Britain larger companies have a bigger share of employment. Only slightly more than 15 per cent of the Spanish workforce is employed in companies with 500 people or more, against 36 per cent in Germany. The survey, based on 1990 figures, which are the latest available, also show that the four largest economies in the EU – those of Germany, the United Kingdom, France and Italy – account for 67 per cent of the 14m EU enterprises, and for 75 per cent of the 92m people employed in the EU. *Reuter, Brussels*

ECONOMIC WATCH

Dutch growth beats forecast

Netherlands

GDP, annual % change



Source: Datastream

Dutch aecond quarter gross domestic product rose a provisional 2.3 per cent year-on-year, the Central Bureau of Statistics said yesterday. Analysts had forecast a rise of about 1.9 per cent. Without the effect of an extra working day in the period, growth in the second quarter would have risen around 1.7 per cent from the same period in 1993, the CBS said. Corrected for seasonal factors, GDP rose 1.1 per cent from the first quarter of 1994. The growth in the most recent quarterly reporting period was led by expansion of nearly 3 per cent in the private sector, the CBS said, while public sector growth was measured at a more moderate 1.5 per cent. The value of goods produced rose approximately 3 per cent. Stronger growth in the construction sector, including activities abroad, in the second quarter compensated for a decline in the first quarter. *Reuter, Voorburg.*

■ Hungary's trade deficit widened to $1.6bn (£1bn) in the first half of 1994, compared with $1.53bn in the same period last year, the central bank said yesterday. The current account deficit was $1.96bn, up from $1.83bn in the first half of 1993. The government devalued the forint 8 per cent in August in an attempt to boost exports and keep the trade deficit for the year below $3bn.

■ Greece's retail sales index rose 13 per cent year-on-year in May after a 21.4 per cent rise in April, the National Statistics Service said. The rise exceeded the 11 per cent year-on-year increase in the consumer price index in the same month.

Catalans and Socialists engage in political horse-trading

Spain seeks budget deal

By Tom Burns in Madrid

Mr Felipe González's minority Socialist government yesterday began the tortuous process of crafting an agreement on next year's budget with the main Catalan nationalist coalition, cautious of giving too much away on home rule and of irritating its own left wing with conservative policies.

The wary tone of the annual bout of horse-trading was underscored by Mr Miquel Roca, the chief budget negotiator for Catalonia's Convergencia i Unió (CiU) centre-right coalition, who said an initial meeting with Mr Pedro Solbes, economy minister, had revealed "areas of agreement and of disagreement".

Mr Solbes' 1995 budget, due before parliament not later than September 30, requires the support of the 17 CiU deputies to pass through the legislature. The Catalan coalition backed last year's budget, following the Socialists' loss of their majority in the general election, after a concession allowing regional governments to control 15 per cent of the income taxes raised in their territories.

Pedro Solbes: starting annual budget horsetrading Reuter

CiU, the main political grouping in wealthy Catalonia where it has a predominantly small business constituency, also brought the government round to spending cuts and to overhauling the rigid domestic labour legislation. This year it has raised the stakes: it wants power sharing between Madrid and the regional executives over the distribution of European Union funds to Spain, and is seeking lower social security contributions by employers, as well as further easing of hiring and firing procedures.

Officials are concerned that the EU funds issue could be contested by other regions and fuel claims that the CiU is bent on gaining advantages for Catalan nationalism at tbe expense of the principle of national solidarity.

In Andalucia, Spain's most populous region wbere tbe Socialist party lost its majority in local elections in June, opposition parties joined forces in the regional parliament last month to reject the 15 per cent tax concession built into this year'a budget.

They claimed it favoured Catalonia over poorer regions where fiscal revenues are much lower.

The Socialist party's left wing and the 18-strong Communist contingent in the Madrid parliament are meanwhile certain to oppose both cuts in social security contributions and increased deregulation of the labour laws.

These Catalan initiatives, bowever, are hroadly backed by the conservative Partido Popular, the main opposition party.

Helmut Kohl's nominee moves into a top job in Brussels

German in EU hierarchy

By Lionel Barber in Brussels

Dr Jürgen Trumpf is hardly a household name. But today in Brussels, Mr Trumpf, formerly the top civil servant at the German foreign ministry in Bonn, moves into one of the most powerful jobs in the EU hierarchy.

The post of secretary-general of the European Council cannot compare with the president of the European Commission, a job which Mr Jacques Delors has transformed over the past 10 years into the public face of Europe. Bnt its attractions are no less real.

The selection of Mr Trumpf reveals much abont the discreet manner in which Germany prefers to wield influence in the EU: hnt it also reflects a shift in the balance of power away from the Commission to the Council and the European Parliament.

The secretary-general serves as chief adviser to the Council of Ministers, the leading decision-making body in Brussels; and as counsellor to the rotating EU presidency. Supported by a modest bnt slowly expanding secretariat, he is also a high-level diplomatic intermediary between the member states, particularly ahead of EU summits which set the broad direction and policy of the Union every six months.

In this capacity, the secretary-general serves as the guardian of the EU's institutional memory. He is charged with reminding member states of the commitments and obligations which tbey have undertaken. Thus, what looks like an innocnous hureaucratic function is, in fact, a powerful constraint on the (often misplaced) ambitions of incoming EU presidencies and a guarantor of continuity in EU policy- and decision-making. "Used properly, the post of secretary-general can become the power behind the throne," says one EU official.

> The appointment of Mr Trumpf followed pressure from Chancellor Kohl who made it known in Brussels that Germany was under-represented at the highest levels of the EU's bureaucracy

Under Mr Niels Ersboll, Mr Trumpf's long-serving Danish predecessor, the influence of the Council secretariat expanded. Its legal team – headed by Mr Jean-Claude Piris – was instrumental in drawing np the compromise which allowed Denmark to resnbmit the Maastricht treaty to a second referendum after voters had thrown out the first version in June 1992. It also bas a nascent foreign policy co-ordination unit headed by Mr Brian Crowe, a senior British diplomat.

The question is whether the decline in inflnence of the Commission will continne once Mr Delors hands over to Mr Jacques Santer, the outgoing prime minister of Luxembourg, who was nobody's first choice as Commission president.

Mr Trumpf, 63, a classical philologist by training, studied in Athens in the mid-1950s. An avowed Anglophile, he entered the German foreign aervice in 1958 – the date when France, Germany, Benelux and Italy conclnded the treaty of Rome which created the (then) European Community. Coincidentally, Mr Trumpf's career has been built on making the ideal of European integration a reality. He has worked exclusively on EU affairs since 1970, latterly as EU ambassador in Brussels.

Like many of his generation, Mr Trumpf shares Chancellor Helmut Kohl's and his former boss Hans-Dietrich Genscher's determination to bind Germany into an integrated Europe.

Though mild of manner and usually sporting a friendly smile, Mr Trumpf has a stubborn streak when it comes to defending Germany's commitments to Europe. He is a staunch advocate of European monetary union and the imperative of the Franco-German alliance. He understands public opposition in Germany to giving up the D-Mark in favour of a single European currency, but insists that Germany sticks to its treaty commitment.

The temporary crisis in Anglo-German relations in September 1992 caused by the forced withdrawal of sterling from the Exchange Rate Mechanism pained him. He was less than comfortable with the presentation of the Bundesbank's case against a premature lowering of German interest rates.

During his five-year term (which coincides with the respective terms of the new European Parliament and the Commission president), Mr Trumpf will deal the 1996 inter-governmental conference, as well as preparations for future EU membership for the east Europeans, Cyprus and Malta.

It is widely predicted that an expansion of the EU beyond its present planned membership of 16 will require a further dilntion of national sovereignty, mainly through streamlined decision-making.

The appointment of Mr Trumpf followed pressure from Chancellor Kohl who made it known in Brussels that Germany was under-represented at the highest levels of the EU hureaucracy. Germany has also taken a close interest in the development of the European Parliament, where Mr Klaus Hänsch has just been voted president.

Unease inside Moslem Paris

Francis Ghilès reports on how immigrants are coping with a clampdown

The heavy policing of areas of Paris inhabited hy large numbers of Moslem immigrants, following the killing of five French officials in Algiers last month, appears so far to have been well received by French public opinion.

The policy, announced by Mr Charles Pasqua, the minister of the interior, won the support of 71 per cent of respondents to one poll taken in mid-August who said they trusted the government to "avoid the risk of terrorism". Some 57 per cent agreed that repeated identity-checks by security forces were "efficient and dissuasive".

Weeks aftar the killings, witb newspapars carrying daily reports of further violence and deaths in Algeria, the police are still out in force in the north-African populated districts of larger towns, although the tension is now easing. However, in such north-African strongholds as Barbès, near Montmartre, shops close earlier and cafés are quieter than usual. Some immigrants have even abandoned their customary Friday prayers at the local mosque for fear of police spot-checks or being caught up in random trouble.

Older immigrants, mainly Algerians, fear that the worsening violence in their country could spill over into terrorist acts in France. They remember all too clearly that the Algerian war of independence was fought ont in the streets of French cities as well as in north Africa.

But they also fear growing racism encouraged by indiscriminate political and media rhetoric. Mr Dalil Boubakeur, rector of the Paris mosque, has expressed his concern that the "fragile consensus" which has grown up in recent years between many immigrants and French society is coming under increasing strain.

The greater police activity has yielded what appears to be a very mixed bag of alleged terrorists, reminiscent of a similar crackdown nearly a year ago in response to the kidnapping of three consular officials in Algiers. One of the two dozen Islamic Salvation Front (FIS) sympathisers detained at the Follembray barracks, 100km north-east of Paris, is the the activist, Mr Ahmed Simozrag, who acted as lawyer for Mr Abassi Madani, the leader of the FIS who has spent the last three years in an Algerian jail. Others are self-proclaimed imams or run bookshops which stock FIS literature. Some had weapons and considerable sums of money when picked up.

Critics of Mr Pasqua's policy argue that he does not differentiate between the FIS, with its armed wing in Algeria, the Islamic Liberation Army (AIS) which has condemned the killing of foreigners, and the hardline Islamic Armed Group (GIA) which claims to be responsible for the deaths of the 59 foreigners killed over the past 12 months. As a result, they feel that tha minister is inviting reprisals on French residents in Algeria and tempting the FIS to take its fight onto French territory.

Unlike Mr Alain Juppé, the minister of foreign affairs, who has called for a dialogue between all parties to the conflict in Algeria, Mr Pasqua has given his unstinting support to the military-backed regime. Mr Pasqua's involvement with Algerian affairs can be traced back to the days when he founded the Service d'Action Civique (SAC) to fight settlers who, between 1959 and 1962 had regrouped in the Organisation de l'Armée Secrète (OAS) to fight General de Gaulle's policy in Algeria.

Mr Pasqua's supporters argue that there is no snch thing as a "moderate" fundamentalist. Ironically, since government-backed attempts in the mid-1980s to integrate immigrant children in tbe poorer suburbs failed, mayors of cities with large immigrant populations have often turned to imams in the battle against crime and drugs.

Young unemployed *Beurs*, as French-born north Africans are called, found solace in Islam and are proclaiming their Moslem faith in growing numbers. Traders have erected signs which distinguish their outlets from other, "non-Moslem" shops.

A sharp rise in the number of TV satellite dishes in north African suburbs has allowed immigrants increasingly to tune in to non-French television

An estimated 3m Moslems live in France today, 500,000 of whom are French citizens and the children of older immigrants. Of this total, 800,000 are Algerian, 500,000 Moroccan and 200,000 Tunisian. It is more a patchwork of groups than a homogeneous community, however, and the French anthorities remain extremely nervous at any sign of fundamentalism spreading.

But the real fear is based on the eventual outcome of the conflict in Algeria. Should the fundamentalists come to power in Algeria before next year's French election, Algeria and, by extension, the values propagated by radical Islam, would take centre stage in tha presidential campaign. That is a prospect relished hy few Frenchmen, other than right-wing snpporters of Mr Jean-Marie Le Pen, and even fewer immigrants.

France expels 20 Algerian detainees to west Africa

The French authorities yesterday expelled to the African state of Burkina Faso 20 of the 26 Algerians who bave been detained at a military hase for nearly a month as part of the Balladur government's anti-terrorist clampdown, writes Alice Rawsthorn in Paris.

Mr Charles Pasqua, the pugilistic interior minister who last month orchestrated the detentions after a radical moslem group claimed responsibility for tha assassination of five French nationals in Algeria, said the expulsions should act as "a lessou to anyone who doesn't respect the laws of the land".

The Interior Ministry declined to comment on what would happen to the six Algerians still being held under heavy guard at the disused army barracks in the village of Follembray on the outskirts of Paris. However, Mr Said Magri, a Lille pizza parlour owner who went on hunger strike after being interned in early August, was yesterday allowed to return to his bome.

Mr Pasqua came under fire from legal groups for sanctioning the original internment of the Algerians and for yesterday's expulsions.

Population delegates are putting themselves in danger's way, militants warn

Fears of violence stalk Cairo conference

By Mark Nicholson in Cairo

The glee with which the Egyptian government originally greeted the UN's selection of Cairo as host to next week's International Conference on Population and Development looks increesingly tinged with apprehension as the hordes of delegates, journalists and assorted experts start to arrive.

After two years' hitting the headlines for Islamic militant violence, publicity which devastated its glittering tourism industry, Egypt was able to point proudly to the conference as evidence of the highest confidence in its control of domestic security. The prestige of the gathering was also taken as acknowledgment of Egypt's *central role in the Middle East and* Moslem world.

But as Monday's official opening of the conference nears, its hosts have reason to feel anxious. Not only has the violent and militant Gamaa al-Islamiyya re-emerged after several months' relative silence to warn visitors that they "are putting themselves in danger's way" by attending, but the debate about the conference's agenda has suddenly reared into an awkward religious battle which seems to have caused one of Egypt's staunchest regional allies, Saudi *Arabia, to boycott the affair altogether.* It has put Cairo firmly on the defensive in its domestic political tussle with Islamic conservatives.

The government has bent every bone to assure the greatest possible security for the conference, which will attract 15,000 delegates, with an assortment of prime ministers, vice-presidents and celebrities. The capital's main routes are dotted with white-uniformed police, and parking has been banned around the main hotels, which resemble minor military encampments.

Until a week ago, Cairo could claim with some confidence it had won the upper hand in its assault on violent Islamic extremists. Violence continued in militant hotbeds around Assiut in Upper Egypt, Gamaa al-Islamiyya had failed to pull off attacks on tour*ist targets for almost five months, its* flow of faxed warnings had abated and the capital had for months been free of even minor incidents.

But last Friday, Gamaa resurfaced to claim credit for an attack on e group of *Spanish tourists in Upper* Egypt in which a young Spaniard was killed. Last weekend it condemned the "conference on licentiousness" and made its warning to attending delegates.

The result has been to remind the government, and all those attending the conference, that however success*ful it has been in constraining mili*tant violence, it has failed to eliminate it. Few diplomats or other observers would pronounce with any confidence that the next 10 days will pass without a single incident. "It is an enormous test," says e diplomat.

> 'The militants know that the smallest incident over the next few days will get them big headlines'

"The militants will know thet the smallest incident over the next few days will get them big headlines."

But the headlines surrounding the conference to date have already been discomfiting enough for the government. That the conference's proposed final text has become the focus of a furious battle between Roman Catholic and Moslem conservatives and the majority of the other 170 states represented at the meeting, who have been working on the draft *for* some two years, is embarrassing enough. It has already led to the boycotts by Saudi Arabia and Sudan, and is likely to have been factor in the decisions of Turkey's Premier Tancu Ciller and Ms *Begum Khaleda Zia, Bangladesh's* prime minister, not to attend.

Worse, for the government, however, is the ammunition the row over the draft text has handed Egypt's religious conservatives, particularly the Moslem Brotherhood, to which President Hosni Mubarak's regime denies status as a political party and has done all it can in recent months to counter in its increasingly successful infiltration of powerful professional associations.

The government is suspicious of the Brotherhood's position in relation to extremist and violent militant groups, despite the Brotherhood's constant assertion of its moderation. It recently excluded the Brotherhood from a national political dialogue, saying it did not exist as e political group. It has done all it can to try to diminish the *Brotherhood's religious and politi*cal authority, in favour of its own state-sanctioned Islamic voice, which has traditionally issued from the Al-Azhar university mosque, one of Islam's oldest seats of instruction.

But the Al-Azhar earlier this month handed the government an unpleasant surprise by condemning the conference as unIslamic. It accused the draft text of condoning homosexuality, abortion and pre-marital and adolescent sex. The Brotherhood promptly agreed with the condemnation, branding the conference an *imperialist attempt by* the west to curb population growth in the Moslem world.

That the row over the draft text has handed the Brotherhood e powerful political platform is clear from the fact that the government has been forced to reply, defensively, that it *could* not *condone anything* in the final document which ran contrary to Sharia, or Islamic, law.

"The government cannot oppose the Brotherhood," says Mr Essam al-Arian, a doctor and Brotherhood spokesman, "because society feels we are moderate and active. They have no choice but to have full dialogue with us."

The full political consequence of this row for the government, and the implications for its own population policies will take much longer than the the *conference* to shake out. *Lead*ers of the Brotherhood have their eyes firmly on next year's party elections, which they are likely to contest in informal alliance with the Labour Party.

Meanwhile, the conference hosts can only hope at least for another incident-free fortnight in Cairo, one which *might help* to restore the city's currently fully-booked hotels to their former profitability.

Birth-rate successes moderate Iran's stance

Scheherazade Daneshkhu on attempts to rein in alarming fertility rates as population hits 60m

POPULATION IN IRAN

Population (m) 1994	Population (m) 2025	Average growth rate % 1990-95	Per cent urban 1992	Fertility rate/woman 1990-95	Adult literacy M/F 1990	Family planning users (%) 1975-93	GNP per capita (US$) 1991	% of central govt. expenditure 1991 Education	Health
68.2	144.6	2.7	58%	6.0	65/43	65	2,170	20.9	7.9

Source: UNFPA

The Iranian government's opposition to next week'e United Netions population conference is not so great that it will join Saudi Arabia and Sudan in boycotting it.

Iran is sending a delegation which it hopes will "adapt the final document to incorporate religious ethics".

Criticism of the Cairo conference centres on the pragmatic approach taken towards issues such as extramarital and adolescent sex.

Mr Ali Reza Marandi, Iran's health minister, said earlier this week, that the draft document "seemed to have disregarded the religious views of *the Islamic* world and formulated the text with a sense of sexual liberty".

Iran's own religious ethics underwent revision toward population control in 1988, when the government recog*nised the severity of* the country's high population growth rate. The average population growth rate of 3.9 per cent e year in the early 1980s was among the highest in the world.

The Islamic government, which took over after the 1979 revolution, laid greater emphasis than before on early marriage and the woman's role as wife and mother and saw no reason to encourage birth control.

It welcomed the growth in population, seeing it in terms of increased resources to build the country into an Islamic model. By the mid-80s, however, concerns about the economy led to fears that the high population growth was a threat rather than an aid to economic development.

Iran's population grew from just over 37m at the beginning of the *revolution in 1979 to 57m* by 1986, an increase attributed to the lack of a family planning programme combined with improved health care since the 1960s. Today, Iran's population is believed to stand at more *than 60m.*

Implementation of a family planning programme in 1988 has witnessed a drop in the annual average growth rate from the 3.9 per cent peak to *2.3 per cent last* year and down further to 1.8 per cent in July, according to government figures.

Demographic experts, while acknowledging that Iran has been successful in controlling *its* population growth, are sceptical of these figures. They argue that such a rapid population decrease is impossible in such a short period of time and cite the need for strengthened data collection and statistical analysis.

The most reliable figures are those of the country's census, taken every five years. This showed an annual average growth rate of 2.9 per cent in 1991, well above the current 2 *per cent growth rate for devel*oping countries. Subsequent figures have been based on less reliable samples.

Mr Shu Yun Xu, Iran country director at the United Nations Population Fund (UNFPA), says that despite the controversial figures, Iran's family planning programme has been "a great achievement", partly because of the strength of the government's commitment. "It has been supportive of all contraceptive methods, including male sterilisation. Only abortion is not allowed."

The main thrust of the government's population control programme has been based on an increased supply of contraceptives, the training of rural midwives and counselling in family planning techniques. The Ministry of Health, which established a Fertility Regula*tion Council in 1988* to implement the programme, reports a decline in total fertility from 6.4 children per woman in 1988 to 4.25 in 1993.

Increase use of contraceptives has been partly fuelled by the lack of family planning services for almost a decade. An active family planning programme was launched under the Shah's regime, so the implementation of the current programme has been *relatively* easy given the public's existing awareness.

Another reason for the success of the family planning programme has been the existence of a relatively good health infrastructure which, according to UNFPA reaches 60 per cent of those living in the countryside and 90 per cent of the majority urban population. Mr Xu said: "The primary healthcare network is very good *especially in rural areas* and the infrastructure is much better than for many Asian countries."

A women's health volunteer programme in the poor suburbs of southern Tehran has so far produced good results and is to be extended. Under the programme, women volunteers act as family planning counsellors in areas which are not served by the primary healthcare network.

Iran has a relatively high literacy rate of 74 per cent and girls' enrolment in primary school is nearly as high as that of boys. The spread of education and literacy has increased a widespread desire for smaller families.

Despite the success of the programme to date, the UNFPA says the tasks ahead are still "formidable". A relatively large number of Iranians, born in the baby-boom of 1976-1986 will be of child-bearing age from 1996 onwards, so fertility rates will increase.

Since 65 per cent of the population is under the age of 25, there is a need for even more emphasis to be placed on education.

Prime Minister Chandrika Kumaratunga, flanked by her information minister, announces the partial lifting of an embargo on the island's north, as a preliminary to ending the Tamil war AP

Sri Lanka to investigate 'three business deals'

By Mervyn de Silva in Colombo and Reuter

Sri Lanka's new government will investigate three multi-million dollar business deals set up by the country's previous rulers, Mrs Chandrika Bandaranaike Kumaratunga, the newly-elected prime minister, said yesterday.

The deals, a $73m (£48.6m) arms agreement with Russia, the purchase of three Airbus jetliners, and the import of 5,000 buses from India and Britain, would be investigated by the Finance Ministry, she added.

"In the arms deal, 10 per cent has been paid in an unconventional manner without following procedure," she alleged.

According to a report by the army's Directorate of Electrical and Mechanical Engineers, obtained by Reuters this week, e consignment of eight BMP-2 infantry fighting vehicles also had defective engines and steering systems, despite Russian assurances the vehicles would be fully overhauled and defects repaired.

A second cargo of eight BMP-2s arrived last week and is waiting at Colombo airport, army officials said.

They were part of a controversial arms deal with Russia, now suspended by the government, for 200 armoured vehicles, gunboats, helicopters and transport aircraft, for use in an offensive against Tamil guerrillas fighting for independence in the island's north and east.

Mrs Kumaratunga said Airbus Industrie had agreed to a 10-day grace period to sign an agreement, earlier scheduled for last Monday for the delivery of three *A340-300* jetliners.

"We are studying the agreement," she added.

Mr Dharmasiri Senanayake, Aviation Minister, said the $300m Airbus contract, criticised by the People's Alliance when it was in opposition as being too extravagant, would not be cancelled because of international obligations.

Officials of the People's Alliance coalition, which won the August 16 national poll, have accused unnamed officials of receiving "commissions".

Mrs Kumaratunga said the treasury had overspent Rs33bn (£433m) undar the former United National Party government which ruled for 17 years. "Because of this deficit, the Central Bank was about to print money. I had to stop thet." The Prime Minister, who is also the finance minister, said she was looking at ways of bridging the gap.

PNG discerns some light amid the gloom

Search for peace will be right at the top of new premier's priorities, Nikki Tait reports

Sir Julius Chan, Papua New Guinea's new prime minister took over the leadership reins with relative ease.

From here on, however, life for the Chan regime may not be so easy. Sir Julius, Papua New Guinea prime minister for a brief two years in the early 1980s, and its first finance minister after independence in *1975, faces three main issues.*

The first is the situation on the island of Bougainville, where the government has been fighting a guerrilla war with local secessionists for more than five years. The tactics of both sides have been condemned by organisations such as Amnesty International, and international censure has rained down.

There are, however, some hopeful signs. Private contacts between the government and the *Bougainville Revolutionary* Army have been getting under way in recent months, and Sir Julius, in his former role of foreign minister, had been due to fly to Honiara, in the Solomon Islands, later this week to meet secessionist leaders.

He quickly confirmed that this visit will go ahead. "Peace is vital: it's very much top of the priority list," Sir Julius said, although he was less precise about concessions which might be offered to the secessionists.

The second, even more intractable, problem is the economy, which suffered e serious blow in 1989, when the Bougainville dispute forced the island's large Panguna copper mine, operated by Australia's CRA, to close. The mine had been providing about 30 per cent of the country's export earnings, and accounted for some 10 per cent of its gross domestic product.

At first, PNG seemed to weather the Panguna loss fairly well. Gross domestic product fell from $3.5bn *(£2.3bn) in 1989, to $3.2bn* the following year, but growth then picked up as the Porgera goldmine and Kutubu oil field projects came on stream. It ran at double-digit rates in 1992 and 1993.

However, despite efforts to reduce public spending in line with diminished means, the budget deficit mounted to dangerous levels in the early 1990s, with actual government expenditure outstripping budgeted sums by significant margins. The government deficit, which had stood at only 1.2 per cent of GDP in 1989, rose to 5.6 per cent of GDP in 1992, and 7 per cent last year, according to the latest Asia-Pacific Economics Group report.

With growth likely to evaporate in 1994 as the Porgera and Kutubu contributions ease off, Mr Masket Iangalio, Wingti's finance minister, had warned that his country could be heading for bankruptcy.

Papua New Guinea

The third issue of pressing interest to western markets, and closely related to the country's economic situation, is the country's resources policy. This has been the focus of much confusion recently, with Mr Iangalio at open odds with Mr John Kaputin, the former mining minister.

The fiercest tussle has come over the proposed A$1bn (£487m)-plus gold mine on the *island of Lihir, which is a joint* venture between Britain's RTZ and Niugini Mining, controlled by Canada's Battle Mountain. The original plan was split funding between a A$400m share issue and debt financing, with the two partners and the Papua New Guinea government all holding stakes in the project.

Since then, there has been furious debate over whether the PNG government should stick to e provisional agreement to involve *Malaysia's* state-owned *Malaysia* Mining Corporation at an early stage in return for assistance with funding, and what equity entitlements should be offered to landowners.

The required "special mining lease", due to be granted in early-1994, has still not materialised.

In Australia, mining executives seemed to be holding their breath, and hoping that the change of *government* will mean a more pragmatic approach to Papua New Guinea's economic difficulties, and thus a smoother ride for would-be project developers.

One, involved with the Lihir project, suggested Sir Julius would probably want to put his own stamp on the mine decision, but would appreciate the economic boost it could eventually bring. "I don't think they can afford not to go ahead," he said.

NEWS: INTERNATIONAL

Building boost for Japanese economy

By William Dawkins

Evidence of a modest recovery in Japanese domestic demand emerged yesterday in the form of an optimistic official forecast for industrial output and good construction industry figures.

Industrial output, representing just under a third of the economy, fell by 1.7 per cent from June to July, but manufacturing probably perked up again by 1.6 per cent in August, the Ministry of International Trade and Industry said. Overall production in the year to July was all but stagnant, with a 0.6 per cent decline.

Production has wavered all this year (it rose by 2.7 per cent in June) as the economy has bumped along in the early stage of a weak recovery. But Miti believes the latest result confirms a general trend for output to strengthen.

That view was supported yesterday by a 17.8 per cent rise in orders received by Japan's top 50 construction groups in the year to July, the first such jump in 18 months.

An encouraging feature was a 24.1 per cent rise in private sector orders, two-thirds of the total, showing that the industry is becoming less dependent on public works, a one-off boost financed by previous governments' economic stimulation packages. Public sector orders grew 12.1 per cent over the same period.

Separately, housing starts grew 5.8 per cent in the year to July, the fourth monthly rise running, and confirmation of a recovery in unit sales, though not prices, in the market for condominiums.

Satellite lost after engine failure

Japan's Science and Technology Agency (STA) lost its Y41.5bn (£270m) experimental satellite yesterday as engineers abandoned attempts to manoeuvre it into orbit following engine problems, Emiko Terazono reports from Tokyo.

The loss of the satellite, launched to conduct tests on communication, has caused deep embarrassment among officials of the STA and the National Space Development Agency (Nasda). Its launch last Sunday marked Japan's first solo development of a two-ton class geo-stationary satellite and Japan had hoped to join the world's leading space powers with its success.

Mr Masato Yamano, president of Nasda, apologised to the public yesterday for the failure. The programme had cost the government Y60bn, with the H-2 rocket, which launched the satellite, worth Y19bn.

Test ban treaty faces delays

A treaty banning all nuclear tests is unlikely to be completed by next April when the Nuclear Non-Proliferation Treaty (NPT) comes up for renewal, Frances Williams reports from Geneva. Mr Miguel Marin-Bosch of Mexico, who chairs the test ban treaty negotiations in Geneva, said yesterday it would take "a minor miracle" to finish the pact by then, though it might be possible to have an "almost agreed" text next spring.

A number of developing countries have said their position on extending the NPT will depend on progress in the talks on a comprehensive test ban treaty which began last January under the auspices of the United Nations Disarmament Conference.

Australian growth rate falls back

Australia's annual growth rate dipped back to 4.3 per cent during the June quarter, after reaching 5 per cent during the first three months of the year, Nikki Tait reports from Sydney. However, the new figure was in line with market expectations, and Mr Ralph Willis, the federal treasurer, said the government saw no need to adjust its recent budget forecasts.

Beijing passes law to disband Hong Kong's popularly elected assemblies

China scraps Patten's reform scheme

By Simon Holberton in Hong Kong

China's threat to disband popularly elected assemblies in Hong Kong was made law yesterday when the National People's Congress, China's parliament, empowered a yet-to-be-appointed group to establish a fresh political order in Hong Kong after 1997.

The official Xinhua news agency said the standing committee of the NPC had issued a "legal regulation" to abolish Governor Chris Patten's reform package. "The last Legislative Council, city government, district government and district board will be terminated on June 30," Xinhua said.

Since October 1992, when Mr Patten unveiled his plans for political reform, China has repsatedly threatensd to reverse them on regaining sovereignty on July 1, 1997. The decision of the NPC, which was expected, puts beyond question Beijing's determination to do just that.

The Hong Kong government's spokesman said that electoral arrangements, approved by Hong Kong's Legislative Council (LegCo) earlier this year, provided the best means for developing "mature institutions" consistent both with what has been agreed with China in the past and with the aspirations of Hong Kong people themselves.

"It is not immediately apparent how dismantling representative institutions which have been openly and fairly elected can be conducive to smooth transition," he said.

Xinhua said a preparatory committee, due to come into existence during 1996, has been given responsibility for matters relating to setting up the first post-colonial government and for forming its first legislature. The preparatory committee will consist of mainland officials and Hong Kong representatives.

The NPC's action in altering the preparatory committee's terms of reference constitutes an amendment of the Basic Law for Hong Kong, passed in 1990. Throughout months of talks with Britain about Mr Patten'e political reforms, China maintained thst the Basic Law conld not be amended.

Hong Kong's first fully democratic elections will be held later this month when voters participate in elections for the colony's 18 district boards, or local councils. Hong Kong is decked with posters proclaiming the virtues of Liberal, Democrat and pro-Communist candidates.

Ms Marian Elsden, a consultant to the conservative Liberal Party, said yesterday that most participating in the elections had accepted that there would be a change in 1997 when China takes over. "They are an amazingly pragmatic people," she said. "There is also a feeling that there will be a compromise after 1997."

Be that as it may, it is clear from the NPC's decision that the Chinese government has no intention of making life any easier for Mr Patten and the British in Hong Kong.

Ths optimism which eurrounded the Anglo-Chinese agreement on military lands in June has given way to caution as talks about the colony's new airport and a container port development drag on.

On the airport, talks appear to have stalled because Beijing is not prspared to sign a detailed agreement, preferring instead a general statement of support for the project. The Hong Kong government claims that lenders to the project will want to know if China approves of the financial agreements between the Hong Kong government and the two public corporations responsible for the airport and its connecting railway.

If this were not enough for Mr Patten, who returned to Hong Kong from a European holiday on Monday, he also has a number of other issues to contend with.

Ths Independsnt Commission Against Corruption is conducting an investigation into alleged corrupt practices at a recent land auction. If the commission should recommend prosecution, the government will face the unpalatabls choice of charging some of the colony's leading businessmen or ducking the advice and reducing Mr Patten'e advocacy of the rule of law to empty rhetoric.

The governor is also facing the prospect of a rift between his office and the civil service, the 180,000-strong body which keeps Hong Kong functioning in an efficient mannsr.

Mr Patten has been at odds with Mrs Anson Chan, chief secretary, over a law banning discrimination against women and school textbooks' accounts of the 1989 Tiananmen massacre in Beijing. On both occasions Mrs Chan sided with officials who sought to adopt a more permissive tone.

Observers in Hong Kong expect the gulf between UK and local officials to grow over the next three years as local Chinese officials adjust to the prospects of Chinese rule in the colony.

There is growing antagonism to Caucasians witbin tbe bureaucracy. A senior member of Mr Patten's own staff has been unable to move from Government House to another post within the senior civil service, partly due to his links with the governor and partly because he is not Chinese.

Banks' financial secrets to be revealed

Mnch of the secrecy surrounding banks' financial statements in Hong Kong is to be abolished, the Hong Kong Monetary Authority (HKMA) said yesterday, writes Simon Holberton.

The changes, which were welcomed by Hong Kong's investment community, mean that for the first tims investors will know the true profits made by banks in the colony. In the past banks have been able to disguise their true position by transfers to or from secret balance sheet reserves.

The autbority said banks with accounting periods ending on or after December 31 this year will be required to disclose all transfers to and from these reserves. In addition, banks will be required to provide mnch more detail about the structure of their loans and deposits than they have been required to do. This will make it easier to understand the structure of bank balance sheets.

The HKMA said the colony's banks will be able to keep secret the amount they have already salted away in inner reserves, but by disclosing the amount of the transfer to or from reserves, analysts will be able to infer the true profit position of banks.

The authority said it would review its policy on disclosure of inner reserves in mid-1995.

The Hong Kong stock exchange's listing rules will be amended to make compliance with the disclosure provisions mandatory for listed banks.

To date, only HSBC Holdings and its listed subsidiary Hang Seng Bank, fully disclose their financial position.

Mr Herbert Hui, a stock exchange executive director, said the changes to banks' reporting would enhance considerably the transparency of local bank reporting.

Mrs Laura Cha, an executive director of the Securities and Futures Commission, Hong Kong's corporate watchdog, said the level of disclosure to be required exceeded that originally proposed by the stock exchange and SFC.

Stockbrokers on the Bombay exchange, India's largest share market, show their delight as the exchange's index passes its previous record set in April 1992. Later that month it slumped after a scandal erupted concerning illegal transactions. See World Stock Markets. Associated Press

Japanese groups link for 'super-highway'

By Michiyo Nakamoto in Tokyo

Forty-five Japanese companies have joined forces to commercialise plastic optic fibre that would make laying the country's information super-highway more practical and dramatically reduce its cost. The move could speed Japan's entry into the multimedia age.

The coneortium, which includes Mitsubishi Rayon, the world's largest producer of plastic optical fibres, NEC, Fujitsu, and NTT, aims to commercialise high-quality plastic optic fibre (POS) developed by Mr Yasuhiro Koike, an assistant professor of applied science at Keio University.

The optical fibre at present in use for communications purposes is made of glass. Ths problem is that connecting different strands of glass fibre is difficult, making the connectors used for that purpose highly expensive, according to Mitsubishi Rayon.

Plastic optical fibre, on the other hand, is easily connected, rednciug the cost of connecting fibres from as mnch as Y30,000 ($300) for each connection to as little as Y10.

It had been thought that plastic fibre, because of its limited transmission capacity, was unsuitable for multimedia services, which call for the transmission of huge amounts of data. The new plastic optical fibre developed by Mr Koike has been able to overcome this shortcoming and is capable of transmitting from one to more than 2.5 gigabits of information per second, or equivalsnt to the amount required to send several television channels down one multimedia line.

Mitsubishi Rayon expects plastic optical fibre to serve different needs from glass optical fibre, which is likely still to be used for main trunk lines. Development of the improved plastic optical fibre bas attracted US companies, with Boeing expressing interest in licensing the technology.

News of tbe development supported a strong rise in the share prices of companies involved. Mitsubishi Rayon, for example, enjoyed an 11 per cent increase on the day to Y472 in active trading. NEC rose Y10 to Y1,220.

North Korea signals move on succession

North Korea's decision to send a special envoy to China signals an imminent announcement of a new leader in the Stalinist state, diplomats and analysts in Seoul said yesterday, Renter reports from Seoul.

North Korea said on Tuesday it was sending Mr Song Ho-gyong, vice-foreign minister to China as a special envoy.

"Song will be making the first public and official visit to Beijing by a senior North Korean official since the death of Kim Il-sung. This appears to be the completion of reshuffling in North Korea's hierarchy," an Asian diplomat said.

"It is an established practice between North Korea and China to notify important changes in their countries," he said.

North Korea's former president died of a heart attack on July 8 after he designated his eldest son, Mr Kim Jong-il, as his successor, but the younger Kim has yet to be named as the country's communist party chief or state president.

"It is quite likely that Mr Song will notify leaders in Beijing of Pyongyang's plan to hold a huge rally soon formally to name Kim Jong-il as the party leader," said Mr Ko Tae-woo, chief analyst at the Institute of North Korean Studies.

"He will probably ask Beijing to take steps to help consolidate Kim Jong-il's legitimacy," Mr Ko said.

China is North Korea's last important ally, and its blessing of the communist world'e first dynastic succession is seen as vital to Mr Kim Jong-il, who lacks his father's charisma.

The Asian diplomat said China'a support for Mr Kim Jong-il's leadership was particularly important as South Korea had built up an important business partnership with Beijing, diminishing the North's political leverage.

South Korea's trade ministry said two-way trade between Seoul and Beijing was expected to total $12bn this year, up from $9bn in 1993. Chinese figures put trade with South Korea in the first half of this year at $5bn, up 59 per cent on the same 1993 period, while trade with North Korea fell 21.9 per cent to $335m.

"As this trade and investment grow North Korea's influence in Beijing wanes, especially after the death of Kim Il-sung, who knew many of China's veteran political and military leaders," a diplomat in Beijing said. Mr Kim Jong-il has rarely visited China and does not have the good personal relations with Chinese leaders his father enjoyed.

North Korea wstchers in Seoul said that North Korea's élite must have been preoccupied with the task of restructuring its hierarchy around Mr Kim Jong-il since the elder Kim's death.

"Now it is beginning to address the importance of its external relations," said Mr Lee Seo-hang, a director-general of the government-backed Institute of Foreign Affairs and National Security in Seoul. "Song's visit could mark the first step to seek continuity of its external relations," be added.

The naming of Mr Kim Jong-il as the new communist party chief could coincide with celebrations on September 9 or October 10, the anniversary of tbe setting up of the ruling party.

He was last seen publicly at a July 20 memorial service for his father.

Philippine first-half economic growth rate doubles to 5.1%

By José Galang in Manila

The Philippines economy grew 5.1 per cent in the first half of this year, more than double the 2.3 per cent growth in the same period last year, according to government data released yesterday.

The performance puts the economy on track for its target of 4.5 per cent overall growth for the whole of 1994, government economic managers said.

Behind the first-half expansion, according to the state policy-making National Economic and Development Authority (Neda), was the stable electric-power supply and favourable weather conditions during the period.

In the previous couple of years, the economy had stagnated because power supply shortages had caused daily power cuts thet crippled manufacturing activities. Agriculture, on the other hand, was badly hit by typhoons and drought.

Gross domestic product in the first half rose 4.1 per cent, but the ever-increasing flow of remittances from Filipinos employed abroad continued to bolster the overall gross national product, the Neda data showed.

Power-related activity and construction were the growth leaders during the period, rising 14.5 per cent and 10 per cent respectively.

The government, in an effort to bring greater stability to power supply, has been commissioning several private groups to construct power stations.

The manufacturing sector, on the other hand, advanced 5 per cent, a turnaround from the decline of 3.1 per cent in the same period last year, when the power cuts were at their worst.

The trade sector was also vibrant. Exports expanded 18.2 per cent, but imports rose 22.2 per cent. Neda officials said the bulk of the imports were capital goods (industrial equipment and machinery), which could lead to further industrial growth in the coming months.

NEWS: WORLD TRADE

Plan for Franco-German link

UK may join pipe venture

By Michael Lindemann in Bonn

British Steel said yesterday it was in talks about a three-way joint venture which would bring together the company's large-diameter welded pipe business with Usinor-Sacilor, the French steel group, and Mannesmann, the German engineering group.

The possible joint venture would be the first time that three European steelmakers have pooled such resources.

"It is a highly competitive and variable world market," a spokesman said. "There is over-capacity so it's only natural that companies should be talking to each other."

The talks, which a British Steel spokesman said were at a "preliminary" stage, are designed to create a three-way venture out of Europipe, a three-year-old joint venture between Mannesmannröhren-Werke, the German partner, and Dillinger Hüttenwerke, a subsidiary of Usinor-Sacilor. The talks are not expected to reach any conclusion until early next year, British Steel said.

Mr Brian Moffat, British Steel chairman, has repeatedly urged European steelmakers to discuss mergers and alliances which would help lift depressed steel prices and cut over-capacity. "Cross-border mergers and alliances are inevitable and desirable," he said in a recent speech.

However, a spokesman for British Steel admitted that the company had had no major successes with these efforts because of what he described as "in-built resistance" among European steel producers.

So far British Steel has two European joint ventures, Avesta Sheffield and European Electrical Steels, both with Swedish steel companies.

Large-diameter pipes represent about 25 per cent of British Steel's total pipe and tube capacity.

The company produces around 200,000 tonnes of large-diameter pipes a year at its works in Stockton and Hartlepool in the UK, where it recently modernised the 42-inch pipe mill.

A spokesman for Mannesmann declined to give any details about Europipe's turnover.

Indian imports of oil set to fall

By Shiraz Sidhva in New Delhi

India's oil imports are expected to fall by 6m tonnes in the current financial year (April 1994-March 1995), following an increase in domestic crude production, saving the country nearly Rs23bn ($733m) in foreign exchange at current international prices.

Crude oil imports are expected to drop to 24m tonnes this year, from 30m tonnes in 1993-94, according to figures released yesterday by Indian Oil Corporation, one of India's largest public sector units, and the canalising agency for the import of crude oil and selected petroleum products.

However, petroleum product imports were expected to rise to 13m-15m tonnes, from 12.64m last year. This increase is due in large measure to the increase in demand for diesel (for tractors) when the country has had a good monsoon. Mr J L Zutshi, chairman of Indianoil, yesterday announced the corporation's net profit of Rs7.72bn during 1993-94, through its refining and marketing operations, up 14 per cent from last year.

Asia-Pacific pledge urged on trade curbs

By Guy de Jonquières in London and Nikki Tait in Sydney

Leaders of the 17 countries of the Asia-Pacific Economic Cooperation forum should commit themselves this year to eliminating by 2020 all barriers to trade and investment in the region, an international advisory panel has recommended.

The panel's report says liberalisation should not be confined to Apec countries, but should seek to reinforce the multilateral trade system by simultaneously extending the benefits of freer trade to non-members. The report is the most detailed effort yet to draft a blueprint for the development of the five-year-old organisation.

It was drafted by a 16-member eminent persons' group at the request of last year's Apec summit in Seattle.

The authors call on Apec leaders to agree at their next meeting, in Jakarta in November, to launch the liberalisation programme in the year 2000 and to pledge themselves to completing it over the next 20 years.

Though the report's recommendations are unanimously backed by its authors, some have admitted that they do not expect all their proposals to win political approval quickly.

Mr Neville Wran, Australia's representative on the eminent persons' group, said yesterday that the liberalisation timetable yesterday was something of a vision, and that over-hasty efforts to turn Apec into a more formal organisation could damage confidence in it.

Apec members have already displayed sharp differences about the pace and direction of future development. While the report's findings seem likely to be broadly favoured by industrialised countries such as the US and Australia, reactions in Asia are expected to be more mixed.

The report says more advanced Apec members should dismantle all their trade and investment barriers by 2010, and developing countries by 2020.

As well as tackling border obstacles, liberalisation should extend to such matters as government procurement and technical standards.

The authors say the programme should aim for "open regionalism" by building on – and in some cases going beyond – the principles of the General Agreement on Tariffs and Trade.

They emphasise that Apec should not become a customs union and should avoid the "over-institutionalisation and over-bureancratieation" typified by the European Union.

"Without any reservation whatsoever, we strongly oppose the creation of a trading bloc that would be inward-looking and would divert from the pursuit of global free trade," the report says.

Individual Apec countries should instead be encouraged to liberalise trade unilaterally as fast as possible, while the organisation should be ready to negotiate concessions with non-members on a reciprocal basis. However, the report says that unless Apec leaders move rapidly to launch a liberalisation drive, the group's achievement could be jeopardised by fragmentation and discrimination caused by a proliferation of sub-regional economic groupings.

To prevent this happening, the authors call on groupings such as the North American Free Trade Area to undertake to extend to the whole of Apec the trade preferences enjoyed by their members.

Rolls-Royce seeks bigger Airbus share

By Paul Betts, Aerospace Correspondent, in Toulouse

Rolls-Royce, the British aero-engine manufacturer, is seeking to win a greater share of the European Airbus market after two decades in which it favoured supplying engines for rival US aircraft manufacturers including Boeing and Lockheed.

The move reflects the UK company's reassessment of the growing penetration by Airbus of the market for large aircraft. Airbus has now secured about 30 per cent of the world market and set itself a target to increase this share to 50 per cent over the next decade, according to Mr Jean Pierson, the Airbus chief executive.

Rolls-Royce, which is expected to report higher first-half profits today, at present only provides the Trent 700 engine for the Airbus A330 twin-engine wide-body airliner, although it participates with other companies in the V2500 engine powering the smaller A320 and A321 twin-engine narrow-body airliners.

> The move by the UK aero-engine maker reflects an increasing penetration of the large aircraft market by Airbus, which seeks 50 per cent of sales over the next decade

The UK company's hopes hinge on the development of a new 40,000lb thrust engine to equip a new larger-range version of the A340 four-engine wide-body aircraft. This is currently powered only by CFM engines jointly manufactured by General Electric of the US and Snecma of France.

This new engine could also have applications for advanced versions of the older A310 wide-body airliner currently under study at Airbus.

Airbus confirmed yesterday it was holding intense studies with all three leading aero-engine manufacturers (Rolls-Royce, Pratt & Whitney and GE) on the development of a new 40,000lb thrust engine.

Mr Pierson said the consortium expected to take a technical decision on a longer-range version of the A340 next year. The ultimate aim was to develop an ultra-long-range aircraft capable of flying a one-stop round-the-world trip. The new engine would have a market estimated at about 5,000 units for both the A340 and the new A310 advanced aircraft.

Rolls-Royce, whose first Trent 700 engine made its debut on an A330 airliner for Cathay Pacific yesterday, is also seeking opportunities to equip other future Airbus products with its expanded engine family as well as with possible new power plants.

Rolls-Royce's intention was to offer engines for Airbus programmes including possible replacements of the older A300 and A310 wide-body airliners, future derivatives of the A330 and A340 and the proposed A3XX super-jumbo, said Mr John Rose, Rolls-Royce's deputy managing director.

Airbus, which is also collaborating with Boeing on a possible development of a super-jumbo aircraft, plans to have a scale model of its proposed A3XX on display at the Farnborough Air Show next week. It says the new four-engine super-jumbo – capable of carrying up to 840 passengers in one class with a possibility of going up to 1,000 in a stretched version of the aircraft – would not require the development of a new engine but could be equipped by power plants like the Trent 700 and its US rivals.

But demand for a super-jumbo is not expected to emerge until the next decade. Mr Peter Sutch, chairman of Cathay Pacific, said the Hong Kong airline did not envisage a need for a super-jumbo until around 2003. It unveiled yesterday a new corporate livery to reflect what Mr Sutch called "a changed and revitalised airline moving into a new era".

Both British Airways and Singapore Airlines have already expressed interest in acquiring a super-jumbo.

Mr Pierson yesterday welcomed the roll-out of the first A330 equipped with a Rolls-Royce power plant, saying it was "high time we saw a made-in-Europe engine on an Airbus aircraft". With a Rolls-Royce engine and British Aerospace's 20 per cent share in Airbus, the UK content of the A330s ordered by Cathay Pacific topped 50 per cent.

Mr Rose said the A330 was "one more building block" in the UK company's relationship with Airbus. "We must now build up this relationship," he added. But Rolls-Royce is also interested in developing its share on new US Boeing aircraft, including the 777 twin engine wide-body airliner and Boeing studies to develop a larger version of its 747 jumbo or a new very large aircraft.

Victory for Taipei as air links with Japan are boosted

By Laura Tyson in Taipei

Taiwan and Japan have agreed to expand air links between the two countries for the first time since a civil aviation pact was agreed in 1975.

The accord allows each side to appoint two carriers to provide air services between Taiwan and Japan, Taiwan's transport ministry said yesterday.

It adds a new route, Taipei to Fukuoka and increases flights on the existing routes between Taipei and Nagoya and between Tokyo and Okinawa.

The outcome of the talks marks an important victory for Taipei, which for two years has been thwarted by Beijing in its efforts to expand services to Japan to meet increased demand.

It also represents a coup for EVA Airways, Taiwan's first privately owned international carrier.

Taiwan's flag carrier, China Airlines, and Japan Asia Airways currently provide regular flights between Taiwan and Japan.

EVA, founded in 1991 by the Evergreen group, the shipping concern, will share the expanded routes with Japan's Air Nippon, a subsidiary of All Nippon Airways.

The accord was not an unqualified success, however, as the two sides were unable to establish direct air links between Taipei and Osaka's new Kansai Airport, an important route for business travel.

Negotiations over this route were stymied by objections from Beijing. Japan switched diplomatic recognition from Taipei to Beijing in 1972.

Trade and investmant ties between Taiwan and Japan have grown rapidly in recent years. Two-way trade climbed to US$32.1bn last year from $8.06bn in 1983, with Taiwan posting a record bilateral trade deficit of $14.2bn in 1993.

Singapore airport in Vietnamese city deal

By Kieran Cooke in Singapore

Singapore Airport Terminal Services (Sats) is teaming up with Vietnamese groups in a US$15m venture to provide cargo handling services at Ho Chi Minh City airport, in the south of Vietnam.

Sats, a subsidiary of Singapore Airlines (SIA), will hold a 30 per cent stake in the venture, with the rest controlled by Vietnam Airlines and a local Vietnamese company.

Sats says that cargo traffic between Singapore and Vietnam rose by more than 60 per cent in the past year, while passenger traffic between the two countries increased by more than 40 per cent in the first six months of 1994.

Sats is already participating in the development of an air-freight terminal in the Chinese capital, Beijing, and is involved also in setting up a flight catering operation in Karachi, Pakistan.

Derivatives loss fuels call for legislation

By George Graham in Washington

Heavy losses on financial derivatives trading by a Maryland county administration are fuelling calls in the US Congress for legislation to tighten oversight of the derivatives market.

Charles County, Maryland, said its deputy treasurer had been dismissed after the county discovered a loss of an estimated $1.3m on investments in derivatives, including mortgage-backed securities. The investments also tied up about $27m, a quarter of tha county's annual budget, in securities, which Mr Roger Fink, county attorney, says the local government was not authorised to buy.

Tha Maryland county has filed suit against the brokers involved in the trades to seek the return of the money invested.

Mr Henry Gonzalez, chairman of the US House of Representatives banking committee, said the losses confirmed the need for derivatives legislation, for which he has been arguing.

"How many more firms, pension funds and counties are we going to read about, losing money due to derivatives, before the Congress takes action?" he asked.

Mr Gonzalez has introduced a bill, with Congressman Jim Leach, senior Republican on the banking committee, which would stiffen bank supervisors' oversight of the derivatives market, and wants detailed drafting to get under way soon after Congress returns from recess next week.

The House energy and commerce committee has also been working on legislation which would provide tighter supervision of some largely unregulated derivatives subsidiaries of investment banks and insurance companies.

Drafting legislation is complicated by rivalry between the two committees, as well as by the general hostility of bank supervisors. Washington officials do not expect new derivatives legislation this year.

Even so, the addition of local taxayers to the list of losers in the fast-moving markets for derivatives – complex securities whose return is derived from another security or index – is expected to increase concern in Congress.

In earlier congressional hearings on the need for tougher regulation of derivatives, many members aaid they wera unmoved by news that large and sophisticated multinational companies, which should be able to look after themselves, had lost money in derivatives trading. Local government treasurers and local taxpayers, however, arouse more sympathy in Congress.

Charles County faced a cash crisis as a consequence of the trades. The county saw itself as having been without authority, under state law, to have bought securities with a maturity longer than 270 days. Because it believed it never legally owned them, it could not sell them, Mr Fink said yesterday.

However, to avoid freezing the securities during years of litigation, the county and the brokers being sued subsequently agreed to sell the portfolio.

Derivatives column, page 21

Castro may go to war, says report

President Fidel Castro may opt for war with the US if be is backed into a corner, said a study prepared for the Pentagon and released yesterday, Reuter reports from Washington.

The study by Rand, a California research organisation, was completed last spring and anticipated the anti-government demonstrations and refugee exodus of recent weeks.

It said Mr Castro was unlikely to accept a forced resignation because it would tarnish his place in history.

"Castro is not likely to give up power voluntarily; and if cornered he might fight to the death," said the report, paid for by the office of Mr William Perry, defence secretary.

"With his regime at tha point of unravelling, Castro might try to engineer a final military reckoning with the US in a *Götterdammerung*-type scenario that could leave Cuba destroyed but would confirm his legacy as Latin America's staunchest anti-imperialist." it said.

Such an outcome, the study insisted, "conforms not only to the value that Castro places on struggle, intransigence, and defiance, but also the way he and past Cuban leaders have exalted the acts of death and martyrdom on behalf of the nation." The Cuban leader might seek a clash over the Florida Straits, which separate Florida and Cuba by 90 miles, or over Guantanamo Bay, the US naval base on Cuba's southeast shore.

His grip on power remained firm, with the Communist party apparatus, military and security organs "largely in the hands of hardline officers", the report said. Clinton administration officials have said they are not committed to ousting Mr Castro. Instead, they have tightened a 31-year-old US trade embargo against Cuba to force him towards meaningful economic and political reforms.

The Rand report concluded that such reforms were highly unlikely while Mr Castro remained in power.

Cubans risk all for better life

Pascal Fletcher reports on economic pressure to become a refugee

As talks begin in New York today on the Cuban refugee crisis even government officials in Havana admit that life has become plagued with hardships for the island's 11m people.

The chronic shortages of food and other basic goods are the result of the worst economic crisis in the 35-year history of the Cuban revolution. It followed the collapse after 1990 of preferential trade and aid links with the now defunct Soviet bloc.

While hundreds of Cubans risk their lives trying to reach the US in flimsy, home-made rafts, those who stay behind view their departure with mixed emotions.

"I'm a revolutionary and all that I have I owe to the revolution," said Mr Roberto Pérez from Havana. He was explaining why he had not joined five members of his family who, with nine others, clambered aboard a rickety half-raft, half-boat that set off this week from a beach at Cojimar, east of Havana. Their craft joined a dozen others on Monday afternoon aiming for Florida.

Mr Pérez added: "Besides, I'm 54 and black. What am I going to do over there?" Gesturing towards his departing relatives, a brother, a sister-in-law and three teenage grandchildren, he went on: "I don't criticise them. They are young, they aspire to other things. If I were young, I would go too."

Further along the beach another elderly man was staying behind. "I would like things to improve here so that people wouldn't have to go," he said. Fear of making the risky, 90-mile sea crossing, reluctance to leave behind family and friends and hopes that things might eventually improve are all factors keeping many Cubans from joining the exodus from the communist-ruled Caribbean state.

There is an air of desolation about the streets of Havana. The decaying buildings and potholed streets of and the lack of shops, restaurants and businesses operating normally are symptoms of an economic squeeze made worse by a long-standing US trade embargo.

The desire for a "better life" is tha motive most cited by the departing rafters, who appear undeterred by the change in policy announced by US President Bill Clinton in mid-August. The change means that Cubans who try to leave without visas will now not be granted automatic entry to the US as they had been for years. They face indefinite detention at the US naval base at Guantánamo Bay in eastern Cuba or at other US detention centres.

The dispute over immigration is part of the wider US-Cuban conflict and will be at the centre of the talks in New York between high-ranking Cuban and US officials. Senior US officials have made clear they are willing to discuss ways of controlling the exodus of Cuban refugees, but not much else.

Cuban President Fidel Castro, who criticised Mr Clinton's recent policy change towards the Cuban refugees as "absurd", has said the talks should include lifting the US embargo and ending the barrage of anti-communist radio and television broadcasts directed from the US.

He also wants an immediate end to new sanctions announced this month by Mr Clinton, which included a virtual halt to US dollar remittances from Cuban Americans to relatives on the island.

Heading the Cuban delegation will be Mr Ricardo Alarcón, a prominent figure in the communist party hierarchy and head of the island's National Assembly. He is a former foreign minister and ambassador to the United Nations.

Mr Alarcón is an experienced diplomat who has faced the Americans before in immigration negotiations. He helped to negotiate a previous immigration accord in 1984, four years after the so-called Mariel "boatlift" by which about 125,000 Cubans left the island. Mr Alarcón is a staunch defender of the island's one-party political system and can be expected to resist any US demands for reforms in that area.

The Cubans hope the pressure generated by the humanitarian problem of the refugees will persuade Mr Clinton to change the policy of hostility towards Mr Castro's rule practised by successive US administrations since shortly after the 1959 Cuban revolution. This may be a vain hope, as US officials such as Ms Janet Reno, the attorney-general, have publicly blamed the refugee exodus on the Cuban leadership.

Some relief to the refugee problem may come from third nations such as Canada and Mexico, which have said they are willing to take some Cuban refugees with families already living in their countries.

Meanwhile, as the exodus of rafters continues, Cubans staying behind will wait to see if this week's talks can break the 30-year deadlock of hostility.

Four Cubans join hands this week to wade out from Cojimar towards a raft which they hope will take them to Florida Picture: Reuter

US middle class divided by skills, says Reich

By James Harding in Washington

The middle class in the US is being divided by its levels of education and skills, according to Mr Robert Reich, US labour secretary.

In a pre-Labor Day speech on the state of the workforce yesterday, Mr Reich said: "The deepest divisions [in US society] aren't based on race or on national origin or on geography. They're based on the ability of individuals to make their way in an increasingly turbulent society."

Mr Reich said that whereas in 1979 a "middle class" male with a college degree earned 49 per cent more than one with only a high school diploma, by 1992 the college graduate was earning 83 per cent more.

Unemployment patterns, too, reflect the divergence between the skilled and the unskilled. The unemployment rate for those who completed a college education has held steady over the last 15 years at around 3 per cent. The level for those who did not finish high school, however, has jumped from 7 per cent in the 1970s to 12 per cent last year.

Although Mr Reich said there was much to celebrate in the news that between last Labor Day and the end of July the economy had added 2.5m new jobs, he said the middle class had splintered into three groups: an "underclass" isolated from the core economy and walled off from hope; an "overclass" who profitably rode the changes in the economy; and the hulk of the population, an "anxious class. . . pulled and stretched by the need to work two or more jobs to keep a family solvent, by uneasiness about healthcare, by the spectre that today's job will disappear tomorrow. . ."

Mr Reich was one of the main intellectual forces behind the Clinton administration's pledge to reward the work of "the forgotten middle class". The answer to the growing divisions, he says, is education. Expanding skills, particularly in technology-related fields, in-house training programmes and keeping potential high-school drop-outs in education longer all help to build a new middle class, he believes.

Caricom supports Haiti invasion

By Canute James in Kingston

Neighbours of Haiti yesterday agreed to support a US-led invasion of the Caribbean republic, saying the refusal of the military leaders there to step down had closed the door to a negotiated settlement of the country's political crisis.

Mr Strobe Talbott, US deputy secretary of state, and Mr John Deutch, US deputy defence secretary, yesterday attended a meeting of the Caribbean Community (Caricom) in Jamaica, to agree on the Caribbean nations' role in an invasion.

Mr Paul Robertson, Jamaica's foreign minister, said yesterday that Caricom troops would not take part in an invasion, but would be involved in a "holding operation" before the deployment of a UN mission in Haiti. Caricom's decision was a "watershed", which indicated "a sense of increasing urgency" in dealing with Haiti, said Mr Talbott.

Caribbean countries have been reluctant to get involved in Haiti militarily, fearing domestic opposition to entanglement in a problem seen as intractable, as well as to a possible flood of refugees. But they see a holding operation as a way to address these fears.

About 300 Caribbean troops would be involved, their task being to maintain law and order before, and perhaps after, the return to Haiti from exile of President Jean-Bertrand Aristide, said a Caricom official. Caricom is made up of 13 English speaking-members, bnt only those with standing armies – Antigua, the Bahamas, Barbados, Belize, Guyana, Jamaica, and Trinidad and Tobago – will be involved.

"As this has been done by some of their closest neighbours, albeit some without military might, the Haitian leaders must now know thet foreign military intervention is imminent unless they step down in a few days," said a Caricom spokesman.

Military staff officers from the Caribbean countries will join their US, British and Argentine counterparts to "finalise and co-ordinate arrangements" for the military intervention in Haiti, said Mr Erskine Sandiford, prime minister of Barbados and Caricom chairman. The Caribbean contingent will be trained at a US naval base in eastern Puerto Rico.

US and Caribbean officials refused to be drawn on the timing of an invasion of Haiti. But Caribbean military sources said the plans were in place and only awaited President Bill Clinton's authorisation. They expected that US forces, led by special groups such as naval Seals, would infiltrate Haiti under the cover of darkness and disable strategic targets, including command and control centres of the Haitian military.

Some Haitian junior officers, according to Caribbean military sources, have been holding clandestine meetings with representatives of foreign intelligence agencies, mainly the US, and have committed themselves to support the invasion.

Splits follow an election defeat

Damian Fraser finds the main Mexican opposition parties troubled

Divisions have emerged within Mexico's two main opposition parties, following their heavy defeat in the presidential election of August 21.

Both the leftist and centre-right opposition have blamed unfair electoral conditions – the ruling party's massive spending in the campaign and its favourable television coverage – as the key reason for defeat.

But both opposition parties are internally divided on the best way to push for fairer future elections, and how far they should co-operate, if at all, with the administration of Mr Ernesto Zedillo of the ruling Institutional Revolutionary Party (PRI), due to take office in early-December.

The leftist Party of Democratic Revolution (PRD) – which came third with 17.1 per cent of the vote – is increasingly split between a radical faction, which supports challenging the election results through civic protests, and a moderate wing which believes that the party should move to the centre, and focus on presenting evidence of fraud to electoral tribunals.

Mr Cuauhtémoc Cárdenas, the party's presidential candidate, appears caught between the two wings. He has denounced the election as fraudulent – even though most observers believe reported irregularities did not affect the result. Yet he has called on his supporters to avoid the sort of mass mobilisations that have given the party a reputation for extremism.

Also, Mr Cárdenas, who has so far held the party's two tendencies together, has said he will not run for office again. Hence his ability to unify the party's various factions may diminish.

The leaders of the centre-right National Action Party (PAN) have implicitly accepted the victory of Mr Zedillo and the PRI. However, under pressure from many of their supporters, the leaders have stepped up attacks on the fairness of the Mexican political system and questioned the legitimacy, if not the legality, of tha result. On Tuesday, the PAN called for new laws to govern the conduct of political parties and to separate the PRI from the government.

The PAN's divisions are less profound than those of the PRD, in part because the former won a greater proportion of the vote than ever before. The party won 119 of the 500 seats in the Chamber of Deputies, 48 more than the PRD, and will have 24 seats in the expanded Senate. For many, the results are a vindication of the PAN's strategy of maintaining good relations with the government.

Even so, the PAN's failure to win much more than a quarter of the national vote has led to criticisms of close co-operation with the government in recent years, and its acceptance of electoral conditions that favour the PRI. Some even wonder whather Mr Diego Fernández de Cevallos, the party's presidential candidate last month, had done a deal with the PRI to lose the election.

The PAN has been particularly hurt by heavy losses in the three states which it governs – Baja California, Guanajuato and Chihuahua. The PAN had hoped that these local strongholds would act as a springboard for national victory. The PAN's best showing was in states firmly controlled by the PRI – Jalisco, Nuevo León and Sonora, indicating that much of its support is based on a protest vote.

Mr Vicente Fox, the PAN leader from Guanajuato, last week attacked Mr Fernández for having accepted the PRI victory and having described the electoral process as clean.

Such internal criticisms have led to a notable hardening in statements by Mr Fernández over recent days. In an outspoken television interview on Sunday night, he sharply criticised the extravagant campaign spending of Mr Zedillo and tha favourable coverage the latter had received on television. The PAN leader withheld a full endorsement of Mr Zedillo's victory, describing it as an illegitimate triumph.

Interest rates on Mexican short- and long-term government paper rose sharply yesterday, reflecting concern over the country's political and economic situation, writes Damian Fraser.

The interest rate on 28-day paper rose by 51 basis points to 14 per cent, and on one-year paper by 75 points to 13.18 per cent. The rise in interest rates follows weakness in the peso against the dollar in recent days. Market analysts attributed the rise to investor nervousness about Mexico after the election last month and about the incoming government's exchange rate policy.

Prize of peace in Ulster has never been closer

By Philip Stephens, Political Editor

It may be too soon to celebrate. It is not too early for hope to displace the cynicism that has long suffocated politics in Northern Ireland.

The prospects for a permanent peace remain uncertain. But the prize has never been closer since the present round of killings started 25 years ago. The grip of history has been loosened.

Building a political settlement in a province where many are more frightened of peace than of war will not be easy. The misery inflicted on the people of Ulster by the mindless killings is matched only by the mutual mistrust across the sectarian divide. The habit of murder is deeply ingrained.

Nor does not it take much understanding of the past to appreciate that the objectives of the IRA and of the unionist majority are as irreconcilable today as they have ever been.

After so many vicious murders over so many years, no one can be expected to take the IRA statement on trust. There was no mention of that most critical word – permanent.

It may be that the present generation of republican leaders have given up hope of military victory. Certainly some in British intelligence share that view. History however – still an insidiously powerful force in Northern Ireland – reminds us that past ceasefires have split the republican movement. The killing has then resumed.

The IRA remains as strong militarily as it has ever been. Some of its commanders will be looking for an opportunity to resume what they call the armed struggle.

The response of the so-called loyalist paramilitaries – responsible in recent years for about half the killing in the province – will be crucial.

The Rev Ian Paisley's warning of civil war lived up to the characteristic intemperance of the hard-line Democratic Unionist leader. He is right, though, that the working-class Protestants need persuading that the price of peace has not been a weakening in Britain's commitment to the province.

Mr John Major, the prime minister, and Mr Albert Reynolds, his Irish counterpart, have shown rare determination and grit in pushing the process this far.

Mr Major, as beleaguered a prime minister as any in recent history, shrugged off the brickbats of colleagues who whispered behind their hands that last December's Downing Street declaration was destined to fail.

He has gone as far as a Conservative leader could to rebuild trust with Ulster's nationalists and with the Dublin government. The personal risks have been considerable. So too have been his negotiating skills.

Mr Major has managed thus far to avoid a backlash from the moderate majority among the unionists by ensuring that the door of 10 Downing Street has been ever open to Mr James Molyneaux, the leader of the Ulster Unionists. He has been rewarded by acquiescence, if not enthusiasm, from the leader of the province's most important political party.

> **'I do believe this is the beginning of the end. That proves to my wife and I that Tim's life may not have been lost in vain'**
>
> Colin Parry, father of 13-year-old boy killed in Warrington blast last year

It will be harder now than it has ever been to sustain that careful political balancing act. But if the IRA statement does presage peace, Ireland could rescue Mr Major's premiership.

Both prime ministers will have to take more risks. There will be many calling themselves Catholics or Protestants determined to wreck the initiative. There will be strains between London and Dublin.

The contrasting tone of the responses in the two capitals underlines the danger. The understandable euphoria in Dublin was not echoed in Downing Street. Mr Major's statement spoke in more measured terms of the need to confirm thet this is more than s pause in the killing.

The risk is that an ambiguous ceasefire will create a rift between London and Dublin; that Mr Reynolds will be too eager to respond quickly to the IRA statement and that Mr Major will be unduly cautious.

The political compromises behind the Downing Street declaration and the search for a new constitutional framework for Ulster would then be threatened. Some in Whitehall believe that has been the IRA's game-plan all along.

So the two governments must stick firmly to their public pledge that there will be a place at the negotiating table for Sinn Féin, the IRA's political wing, only when it is clear the renunciation of violence is irrevocable.

The fundamental principle on which co-operation between London and Dublin has been based is that of consent – in short, it is (and always will be) for the people of Northern Ireland to decide their own future.

For all his government's protestations that nothing has changed in its attitude to the future of Ulster, Mr Major has moved in the direction of the nationalists.

He has made explicit what has been implicit, but carefully hidden, in the approach of successive governments since 1973 – that Britain has no "selfish or strategic" interest in maintaining Ulster as part of the union – it will do so only if and for as long as a majority in the province so wish.

For his part Mr Reynolds has been obliged to admit the legitimacy of the unionist veto – that the nationalists' long-standing demand for self-determination in Ireland cannot override the wishes of a majority in Northern Ireland.

That principle must remain inviolate. If Mr Major steps just an inch over the line dividing neutrality from persuasion he will lose the support of moderate unionists and face a backlash on his own back benches.

The full IRA statement:

"Recognising the potential of the current situation and in order to enhance the democratic process and underlying our definitive commitment to its success, the leadership of the IRA have decided that as of midnight, August 31, there will be a complete cessation of military operations. All our units have been instructed accordingly.

"At this historic crossroads the leadership of the IRA salutes and commends our volunteers, other activists, our supporters and the political prisoners who have sustained the struggle against all odds for the past 25 years.

"Your courage, determination and sacrifice have demonstrated that the freedom and the desire for peace based on a just and lasting settlement cannot be crushed. We remember all those who have died for Irish freedom and we reiterate our commitment to our republican objectives.

"Our struggle has seen many gains and advances made by nationalists and for the democratic position. We believe that an opportunity to secure a just and lasting settlement has been created.

"We are therefore entering into a new situation in a spirit of determination and confidence determined that the injustices which created this conflict will be removed and confident in the strength and justice of our struggle to achieve this. We note that the Downing Street Declaration is not a solution."

"A solution will only be found as a result of inclusive negotiations. Others, not least the British government, have a duty to face up to their responsibilities.

"In our desire to significantly contribute to the creation of a climate which will encourage this, we urge everybody to approach this new situation with determination and patience."

Mr Major's statement:

"The Downing Street [illegible] for peace. It calls for a permanent [illegible] violence and offers a balanced opportunity for [illegible] a full part in the future political life of Northern Ireland.

"The IRA have declared a complete cessation of violence.

"I am greatly encouraged by this, but we need to be clear that this is indeed intended to be a permanent renunciation of violence, that is to say, for good.

"If it is, then many options are open. If they are genuinely and irrevocably committed to use only peaceful and democratic methods in the future, then we shall respond positively, as we said in the Joint Declaration.

"Let words now be reflected in deeds."

In his understandable enthusiasm to ensure thet the chance of peace is not lost, Mr Reynolds must be careful to ensure that reassurances to the unionists offered by London are not undercut by nationalist triumphalism in Dublin.

Every step for the next few weeks will be an awkward one. There are ways in which the British government can respond quickly to the cessation of violence – by lifting the broadcasting ban on Sinn Féin, by changing the pattern of policing in Northern Ireland – which involve few risks.

But it cannot allow the slightest hint that its actions are being driven by the threat of a resumption of IRA killing.

Mr Major and Mr Reynolds must move quickly to finalise the outline plans for a political settlement they have been promising since early summer.

The shape is clear – dilution of the republic's constitutional claim to Northern Ireland, changes in Britain's 1920 Ireland Act to enshrine the principle of consent, a devolved Northern Ireland assembly and new cross-border institutions to build trust between north and south.

It is talks on this document that Sinn Féin will be invited to join if in, say, two or three months' time the IRA has proved its good intent.

You do not have to search too hard around Westminster to find those confident that even if the process gets that far, the nationalists' demand for a united Ireland and the determination of the Protestant majority to sustain the union will quickly restore the familiar deadlock.

History is on the side of the cynics. But this time there is a decent chance the future will not be a prisoner of the past. The police said yesterday that 3,168 people had died in the sectarian terror which has engulfed Northern Ireland for 25 years. Maybe, just maybe, thet is enough even for the IRA.

Next step hangs on the missing word

By David Owen

The ceasefire is complete – but is it permanent? On that question yesterday hinged what happens next in the Northern Ireland peace process.

When it flashed on to news screens at 11.54 am, the IRA's 212-word statement contained many fine phrases and much grounds for optimism.

But it pointedly avoided committing the organisation to the permanent cessation of violence London and Dublin have demanded before allowing Sinn Féin into political talks on the province's future. Instead it promised a "complete cessation of military operations" as of midnight last night.

It might seem churlish to quibble over semantics on one of the most historic days in the province's recent history. But IRA leaders must have known that their statement would be judged by many on the basis of whether it committed them to a permanent ceasefire.

It seems inconceivabls, therefors, thet the word'a exclusion was not carefully judged and deliberate. This was certainly the view of unionists, who quickly warned that the statement did not fulfil the two governments' terms.

Mr James Molyneaux, the Ulster Unionist party leader, said bluntly it could not "trigger" ths countdown of the three-month period within which London has promised to enter preliminary dialogue with Sinn Féin in the event of a permanent end to violence.

It is crucial that Mr Molyneaux stays on board if the revitalised peace process is to stand any chance of success.

Mr John Major's initial response to the statement, first circulated about lunchtime, was somewhat ambiguous. "I am greatly encouraged by this, but we need to be clear that this is indeed intended to be a permanent renunciation of violence, that is to say, for good," he said, implying that the clock would not start ticking without clarification from republican leaders.

"If they are genuinely and irrevocably committed to use only peaceful and democratic methods in the future, then we shall respond positively."

But his exhortation to "let words now be reflected in deeds," suggested it might be acceptable for the clarification to take the form of an extended period without violence.

Sir Patrick Mayhew, Northern Ireland secretary, later aligned the government firmly with Mr Molyneaux, however, saying that the question of permanency did have to bs resolved before the government would consider thet the three-month period hsd started.

"This is so important a matter that it ought not to be left at large or able to be the subject of discussion and argument," Sir Patrick said.

His words appeared to open up daylight between the government's stance and the position of Mr Albert Reynolds, the Irish prime minister, who said he thought IRA violence was permanently finished.

It also opened the prospect of a tense period of cat-and-mouse politics involving the two governments and republican leaders, similar to that which followed the Downing Street declaration.

Under the timetable set out by the government, preliminary talks would begin with Sinn Féin within three months of it receiving the assurances it requires. This would have three purposes:

- To explore the basis on which Sinn Féin would be admitted to an "inclusive political talks process";
- To exchange views on how Sinn Féin would be able in time to play the same part as the other constitutional parties in Ulster's public life;
- To examine the practical consequences of ending violence.

These practical matters would be expected to include the handing in of IRA weapons, the treatment of IRA prisoners, the question of security and the broadcasting ban on Sinn Féin representatives.

Some ministers believe the ban no longer serves any useful purpose and should be lifted as soon as possible.

On troop deployment, the government is expected to emphasise that decisions are the responsibility of military commanders. But a reduction of troop strength in response to a reduction in the perceived threat of violence has not been ruled out.

Development fund stands to gain new cash

By Michael Cassell and David Gardner

If the wheels of peace are to be partly oiled by a fresh injection of foreign finance, then the International Fund for Ireland is likely to be among the main recipients.

With reports suggesting that the administration of Mr Bill Clinton, US president, could provide up to £130m in aid, the fund – which already gets £13m a year from the US government – could soon find itself receiving extra cash.

Mr Albert Reynolds, Irish prime minister, said Mr Clinton had assured him yesterday that the US intended to work on an economic package to underpin the peace process.

At the same time, Mr Jacques Delors, president of the European Commission, said in London he would be proposing an increase in aid. He added: "The future of Northern Ireland is a matter for the Irish, but also a European matter."

The fund, which already has the confidence of the Americans and European Union nations, would provide a ready-made conduit for much of the promised additional money. It was set up in 1986 by the governments of the US and the Irish Republic and has now established itself as an engine for improvement.

Until recently US budget cuts meant the fund faced a reduction in the annual contribution voted to it by the US Congress. At the beginning of August, however, the sum was again fixed at £13m and the figure could now be raised several times over. Since 1989 the EU has contributed Ecu15m (£12m) a year.

The fund, whose total available resources by the end of last year stood at £225m, was established by the two governments to promote economic and social advance both in Northern Ireland and in the six border counties in the south. It is also charged with encouraging "contact, dialogue and reconciliation" between nationalists and unionists throughout Ireland. Last year it helped create more that 2,600 jobs.

Although the US and the EU have been among the principal sources of its finance, the fund has also been supported by Canada and New Zealand.

The board of the fund is appointed jointly by the Irish and British governments and operations are controlled by joint directors-general based in Belfast and Dublin. Much of the day-to-day work, however, is carried out on the fund's behalf by government departments and agencies.

The organisation, which has laid great emphasis on its independent status in order to give it credibility, has acted as a catalyst in encouraging economic regeneration in many of the most disadvantaged areas. It provides seed funding to stimulate public and private-sector investment and also encourages self-help schemes to bring together alienated communities.

Particular efforts have been made to promote cross-border projects, intended to contribute to the development of the island as a whole. These, together with additional help programmes in inner-city areas, could be significantly expanded.

There have already been a series of "flagship" cross-border projects, such as the Shannon-Erne waterway. Aid also goes to creating community-based businesses, developing science and technology and tourism.

The EU has already allocated Ecu1.23bn in structural aid to Northern Ireland for 1994-99, up from Ecu1.07bn in 1989-93, mostly to develop infrastructure, training schemes, research and development and small businesses.

Markets show first flicker of positive response

By Tim Coone in Dublin and Will Lewis in Belfast

The first flicker of s positive response by the markets to the IRA ceasefire came yesterday as several Northern Ireland companies made gains on the London Stock Exchange.

The share prices of companies such as Northern Ireland Electricity and Ewart, the property developer, advanced by about 5 per cent to 6 per cent, against an overall FT-SE index gain of 1.7 per cent.

It is obviously early days to assert that a trend is emerging from these gains, but they are indicative that business confidence in the province will grow if the ceasefire holds and that economic benefits for the province, and even for the republic, will flow from an end to the violence.

Mr Albert Reynolds, the Irish prime minister, said yesterday: "I have always believed there would be a huge peace dividend for the island of Ireland."

The first payments on that are expected to come from the US. Mr Reynolds talked by phone to US President Bill Clinton yesterday, following the IRA announcement, and said he believed US economic support for the peace process "is going to be very important. President Clinton assured me today that he going straight away to work at an economic package to underpin the peace process in Northern Ireland."

Mr Dick Spring, the Irish foreign minister, is to be despatched to Washington shortly to follow this up.

The US money will boost confidence, but of far greater importance will be decisions by the business community – both local and from overseas – on whether to boost investment in the province.

An FT survey of business opinion in Northern Ireland in December last year revealed that more than half of the 56 leading companies surveyed believed that a political settlement, arising from an end to violence, would have a very positive effect on business and economic opportunities in Northern Ireland. A further 38 per cent believed that the effect would be "fairly positive".

An additional benefit from an ending of the IRA bombing campaign will be a sharp reduction in compensation costs. Ths Northern Ireland Office currently pays between £30m and £50m a year in compensation to individual and corporate victims of the violence.

The stationing of some 19,000 British troops in the province, and the maintenance of the RUC police force at a strength of around 12,000, imposes an even heavier burden on the Exchequer – thought to be in excess of £1bn per year. In addition, there is an Exchequer subsidy to Northern Ireland of a further £3bn.

Economic development will reduce unemployment, raise the taxation base and allow a reduction in this subsidy, which if required could be recycled into investment projects.

A joint statement by Mr Doug Riley, chairman of the Confederation of British Industry in Northern Ireland, and Mr Paddy Murphy, president of the Chamber of Commerce and Industry, said "real economic benefits" would flow from "peace and creation of a stable political framework based on agreed democratic principles".

Potential benefits ineluded improved confidence leading to more investment and cross-border trade, the development of new products and "a more expansive approach which could mean significant new employment opportunities".

Yesterday most small businesses along the Catholic Falls Road and the Protestant Shankill Road were sceptical about the effect of the IRA's statement on their businesses.

Mrs Jan Cheevers, owner of Stevensons florists in the Shankill Road, said: "If peace comes then it may help me, but I can't see that happening."

Her shop is next door to the fish shop bombed by the IRA last October. Nine peopls and the bomber died. "There is no trust any more," she said. Nearly all of her customers are Protestants.

A newsagent in the Falls Road who did not wish to be named said: "I suppose we may get some more tourists up here now, but really things are likely to go on much the same."

The manager of a taxi company based on the Falls Road said that the only benefit he would get was from increased aid from the US. "If this leads to Clinton giving us more money then that obviously is good. But other than that business will probably go on as normal."

Reuter

Across the divide in west Belfast yesterday: Gerry Adams, the Sinn Féin leader, at a rally after the ceasefire announcement, and Catholic schoolgirls between a soldier and RUC officers on patrol

Unionists divided in degrees of scepticism

By Tim Coone and David Owen

The response by Northern Ireland'a unionists to the IRA ceasefire will be crucial in determining how far the two governments can respond to it, consolidating it into what Dublin already believes is a permanant ceasefire.

Initial unionist reactions have been ambivalent and sceptical. Mr Jim Wilson, general secretary of the Ulster Unionist party, said the IRA ceasefire did not meet the conditions of the Downing Street declaration and "should not therefore trigger the process in which Sinn Féin could enter into exploratory talks with the British government".

Sitting across the negotiating table from Sinn Féin is "way, way down the road", he said. If there is a permanent end to IRA violence though, and after exploratory talks between Sinn Féin and the British government, "as a democratic party we would envisage a situation in which we would talk to other democratically elected parties".

Mr James Molyneaux, leader of the UUP, emerged from an hour-long meeting with prime minister John Major at Downing Street to say that he did not think the IRA's statement was sufficient to start the clock ticking in the lead-up to talks between London and Sinn Féin.

"I hope those who have influence with Sinn Féin/IRA will be able to take the next step and make it permanent," Mr Molyneaux said.

In a message to loyalist paramilitaries, Mr Molyneaux said there was "no justification or excuse for violence on the part of anyone."

The hardline Democratic Unionist party has been predictably apocalyptic in its response. Mr Ian Paisley, the DUP leader, was earlier this week warning of a "civil war" if the IRA ceasefire involved a deal with the British government.

Mr Gregory Campbell, a DUP councillor from Derry, said: "The IRA is replacing violence as a means of achieving its aims, with the threat of violence. Does anybody believe there has been no deal? We await with great interest what the British government has agreed to do in return."

The DUP remains steadfastly opposed to talks with Sinn Féin at any stage in the peace process, and has refused to enter round-table talks even with the other parties in the province unless the Downing Street declaration is rescinded.

With the prospect of inclusive round-table talks still some way off, of immediate concern for the politicians and the security forces in Northern Ireland is whether there will be a backlash from the loyalist paramilitaries which could undermine the IRA ceasefire.

The Combined Loyalist Military Command, the umbrella group for the two main protestant paramilitary groups, the UVF and the UFF, appears to be waiting to see what happens. In a statement yesterday it said: "Wa will not be dancing to the Pan-nationalist tune," and added: "Is our constitution haing tampered with or is it not? What deals have been done? End the speculation. No further comment will be forthcoming from the Combined Loyalist Military Command at present."

Perhaps the most encouraging signal that loyalist reaction may be restrained has come from Mr Hugh Smyth, Belfast's Lord Mayor, who is a member of the Progressive Unionist party, whose political base is in the loyalist Shankill Road area in Belfast and is considered close to the Ulster Volunteer Force.

He welcomed yesterday'a "opportunity for peace" and urged the people of Northern Ireland to "grasp this opportunity because history will not treat us kindly if we throw this opportunity away, providing that there is no sell-out. I believe we should all work now for peace, stability and political progress through reconciliation."

He described Republican aspirations for a united Ireland as "legitimate" as long as they are not pursued by violent means.

The key issue facing unionist leaders in the weeks ahead, therefore, will be whether they can bury their differences to confront what is now likaly to emerge as a powerful nationalist alliance with agreed negotiating goals, between the mainly Catholic SDLP and Sinn Féin in Northern Ireland, hacked by Fianna Fail and Labour in the government in the Republic. Failure to do so may well see a further erosion of unionist aspirations.

Clinton hails start of 'new era'

By George Graham in Washington and David Gardner in Brussels

US president Mr Bill Clinton yesterday greeted the IRA's ceasefire as a "watershed announcement".

The European Commission also hailed the breakthrough and said it would step up its efforts to aid the province.

Mr Clinton said: "While much work remains to be done, the IRA's decision to join the political process can mark the beginning of a new era that holds the promise of peace for all the people of Northern Ireland."

In a statement from the Massachusetts island of Martha's Vioeyard, where he is on holiday, Mr Clinton said he hoped the ceasefire would lead to something more permanent.

"I urge the IRA, and all who have supported it, to fulfil the promise of today's announcement to end the use and support of violence, just as we continue to call on all parties who beve sought to achieve political goals through the use of violence to cease to do so. There must be a permanent end to violence."

Mr Clinton, who spoke hy telephone yesterday morning with Mr John Major, the prime minister, and his Irish counterpart, Mr Albert Reynolds, said he was "pleased that the US has been able to contribute to this process of reconciliation", and was ready to assist in advancing the process of peace.

He gave no details of any possible increase in US financial aid to Northern Ireland.

US officials are discussing a financial package, though figures have not yet been decided.

White House officials said there were no plans yet for any joint meeting of Mr Clinton, Mr Reynolds and Mr Major, bnt they were "aware of interest from the Irish government" in such a meeting.

Privately, some White House officials see the ceasefire announcement as vindication of their decision – overriding objections from the Departments of State and Justice, and the British government – to allow Mr Gerry Adams, the Sinn Féin president, to enter the US in February.

Mr Jacques Delors, the European Commission president, took the opportunity to stress the importance of the "European dimension".

He said he would discuss "additional financial and other measures" with the UK and Irish governments.

Mrs Pauline Green, leader of the European Parliament's largest bloc, the 198-strong Socialist Group, urged "all sections of the community in Northern Ireland to seize the historic opportunity for peace that is now before them".

Cautious response from UK leaders

By Roland Rudd and Our Belfast Correspondent

The prime minister was yesterday urged by rightwing Conservatives not to embark on constitutional talks with Sinn Féin until the IRA agreed to a permanent ceasefire.

Among Northern Ireland politicians, nationalists greeted the ceasefire announcement with delight while unionists voiced suspicion that the statement did not signal a permanent end to the IRA'a terrorist campaign.

Sir George Gardiner, chairman of the 92 group of Thatcherite Tory MPs, warned of the risk of "igniting opinion in the majority of Northern Ireland" if ministers moved too fast in response to the IRA ceasefire.

Mr Andrew Hunter, a member of the Commons Northern Ireland select committee, feared it could be "a tactical ploy – a pause in the killing".

He said: "You cannot possibly sit at a tabla and negotiate with people who will resume killing if they don't get what they want in those negotiations – that is an impossible situation."

An indication of the potential Tory opposition to constitutional talks with Sinn Féin came with the publication of a pamphlet by Mr Norman Lamont, the former chancellor, who argued against involving Sinn Féin in talks.

Mr Lamont's pamphlet, written before yeaterday's announcement, said Sinn Féin's participation in a constitntional conference would put ministers "in tha position of being held responsible for the next round of terror if they do not give in to the IRA hlackmail of threatening to pull out".

On the left of the Tory party Mr Peter Temple-Morris said people were "afraid of peace". Another Tory backbencher urged unionists to "seize the opportunities of peace" and break the "hatred of the past".

Mr Tony Blair, Labour leader, gave a cantious welcome to the IRA ceasefire, but stressed the test would come in whether it led to a permanent renunciation of violence.

Mr Paddy Ashdown, Liberal Democrat leader, said: "If the IRA has at last realised that it cannot achieve its aims through violence, then this is a very important moment for peace in Northern Ireland."

In Northern Ireland, unionist politicians said the IRA should surrender its arsenal of weapons and explosives to prove it was serious about ending terrorism for good.

But Mr John Hume, leader of the Social Democratic and Labour party, who put his reputation on the line by talking with Sinn Féin, said the ceasefire would be "welcomed by Irish people everywhere, but particularly by the people in the streets of Northern Ireland. Now we face the primary challenge which is to reach agreement among our divided people."

The Rev William McCrea, an MP from the hard-line Democratic Unionist party, said the IRA was not seeking peace but trying to blackmail the government into giving more concessions.

Dr John Alderdice, leader of the moderate Alliance party, commented that actions would speak louder than words.

Mr Terry Carlin, regional officer of the Irish Congress of Trada Unions, called on "all paramilitary organisations to halt the violence. There's a lot of work to be done in healing the wounds nnd the mental and physical scars of social deprivation."

A nnmber of hroadcasters, led by Mr John Birt, the BBC director-general, last night called on the government to reconsider broadcasting restrictions on Sinn Féin members in view of the ceasefire announcement.

Molyneaux holds the power of veto

By Philip Stephens

It was no accident that Mr James Molyneaux was in 10 Downing Street within hours of the IRA's announcement yesterday of an end to its campaign of violence.

Nor was it by chance that his publicly voiced concerns about the absence in the IRA statement of the word "permanent" were echoed by Mr John Major.

Mr Molyneaux, the MP for the Protestant stronghold of Lagan Valley and leader of the mainstream Ulster Unionists, holds a veto over the prime minister's search for a durable political settlement in Northern Ireland.

Without his tacit consent, Mr Major could not have struck the political deal with Dublin which provided the essential backdrop to the IRA's decision.

Mr Molyneaux did not like the Downing Street declaration or the subsequent clarifications. But he acquiesced.

Had he decided otherwise, Mr Major - an embattled prime minister with a perilously small majority and plenty of enemies on his own backbenches - would have had to abandon the enterprise.

The same will ba true now. Assuming that the IRA is genuine in its intent, Mr Molyneaux will have a similar influence over the pace and extent of Mr Major's government'a response. An eventual political settlement will depend on his signature.

Mr Molyneaux is no soft touch. One of the most experienced figures in Ulster politics - he has been an MP since 1970 and celebrated his 74th birthday at the weekend - his commitment to unionism is as strong as any in the community he represents.

Taciturn but instinctively a shrewd political operator, he has survived longer than many expected as the top of one of the roughest political environments in western Europe.

Over 15 years he has headed off several potential challenges to his leadership of the Official Unionist party, which has nine MPs. He has contained the threat to his party's position from Mr Ian Paisley's more extreme Democratic Unionist party.

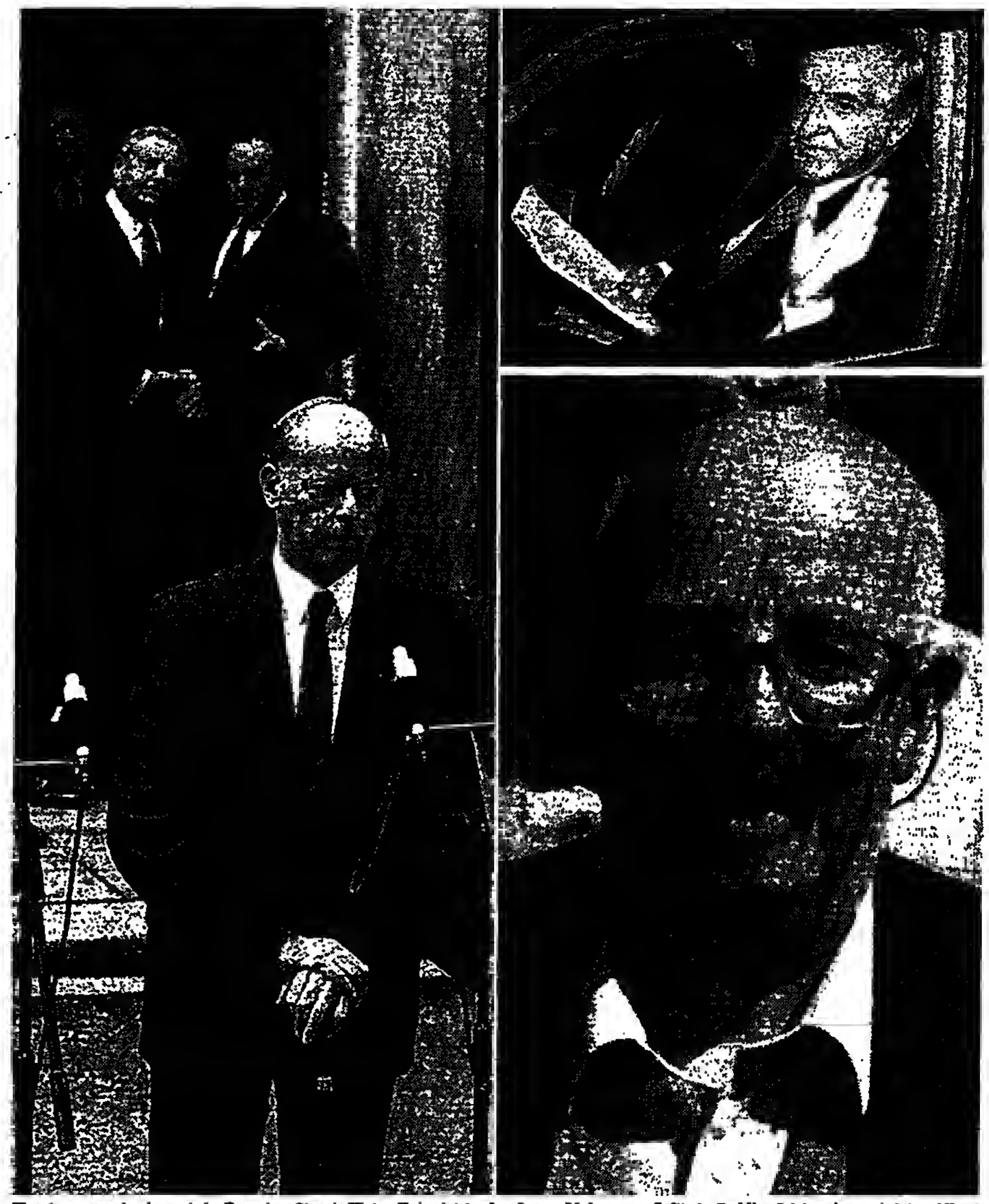
He is deeply auspicious of any negotiation between London and Dublin. Like many in the unionist community, he sees no reason why the republic should have any role in discussions on the future of part of another sovereign state.

His stated preference for a political settlement has been greater integration of Ulster into the political process at Westminster - or failing that, the creation of a devolved assembly in the province with no interference from Dublin.

But Mr Molyneaux is a man of Westminster as well as of the raw politics of Ulster. He lacks the intemperate bigotry of some in the unionist community. He believes that if deals are to be made, then it is better to remain on the inside track than to join Mr Paisley in shouting from the sidelines.

Mr Molyneaux has judged so far that the interests of the unionists would not be served by derailing the process which led to yesterday's IRA ceasefire. And despite his insistence on proof of its permanence, the signs yesterday were that he is willing to acquiesce in further moves along the same road.

To his opponents in the nationalist community, Mr Molyneaux is a stubborn and blinkered man whose refusal to admit even the possibility of Irish unity will be a permanent obstacle to a political settlement. But without him Mr Major and Mr Reynolds would not have got even this far.



The day peace broke out: in Downing Street, Ulster Unionist leader James Molyneaux (left); in Dublin, Irish prime minister Albert Reynolds (top) and in New York, provisional IRA leader Joseph Cahill

Photographs: Trevor Humphries, Associated Press, Reuter

Limits of republican patience may soon be tested

By Tim Coone

When the "troubles" began in Northern Ireland 25 years ago, graffiti appeared on walls in nationalist areas in Belfast and Derry saying "IRA = I Ran Away".

That taunt against the old IRA, which did not want to be drawn into sectarian conflict with Protestants, provided the rallying cry for a new generation of repuhlicana who wanted to revive the armed struggle, largely dormant since the 1950s. The Provisional IRA split with the Official IRA and has been at the forefront of the conflict ever since.

That new generation is today's old generation, which yesterday announced an end to its 25-year campaign with a view to joining a purely political battla for the goal of a united Ireland.

But if Sinn Féin, the IRA'a political wing, is unable to make political headway there can be little doubt that hardliners will hegin to question the value of the ceasefire. And, if the ceasefire collapses, the position of Mr Gerry Adams as Sinn Féin's leader and prime mover of its "peace strategy" will inevitably fall into question.

And if loyalist paramilitaries think thet an eventual participation of Sinn Féin in negotiations is leading to significant political concessions to nationalists, they may well decide to escalate their own military actions to undermine the ceasefire, rather than respond in kind to it, as they are being urged to do.

The "I Ran Away" taunt could then return to haunt the leaders of Sinn Féin and the IRA, and create pressure for action in defence of nationalist communities – or in the worst of scenarios, a replay of the 1970s split that saw the "Officials" enter mainstream politics and the young militants carry on the war.

There is little doubt in the minds of the security forces that the IRA is a tightly disciplined organisation. Its "active service units" operate in small cells. Their weapons are controlled through a separate quartermaster division, and hunkered in secret sites in the republic and Ulster. The quartermasters are controlled by the IRA's ruling body, its Army Council.

The possibility of "maverick" units rejecting the ceasefire and operating independently of the Army Council is minimal – although not impossible if weaponry exists outside the control of tha leadership.

The IRA is believed to have some 700 antomatic rifles, a considerable stock of machine-guns, millions of rounds of ammunition, 2-3 tons of Semtex explosive, plus copious supplies of home-made fertiliser-based explosive as well as its own-design mortars.

Senior republican officials have repeatedly stressed that the IRA and Sinn Féin leaderships are moving in tandem on the peace process, and that the possibility of a rupture will not arise, either between the organisations or within them.

Some councillors from the Catholic community in Belfast, however, believe that the IRA leadership is prepared to call off the ceasefire if loyalist killings escalate and the security forces are unable to contain them. Soma 200 republicans are said to have been warned by the RUC in the past few weeks that loyalists have details on them.

Sinn Féin blames this leakage of intelligence information on renegade alements within the security forces sympathetic to the loyalist paramilitaries. The IRA's commitment to the ceasefire is, therefore, likely to be in part determined by how the security forces respond to any upsurge in loyalist violence.

Attempts by armed republican splinter groups – such as the INLA and the IPLO – to pick up hardline support from within the IRA by continuing the war are considered to be limited because of their shortage of weaponry and the debilitation of their leadership by internal feuding.

The IRA has also been willing to act ruthlessly against its rivals, if it felt its own territory was being invaded or its leading role threatened. It is thought that its recent killing of a gangland boss in Dublin may be linked to the IRA asserting its authority and discipline within the armed republican movement.

There was a firm belief in political circles in Dublin yesterday that the IRA is committed to a permanent cessation of violence. But the rapidity with which the Irish government has moved to reassure Sinn Féin that it will be quickly incorporated into political talks indicates Dublin's appreciation that IRA patience has its limits.

Hume entitled to a wry smile

By David Owen

The crucial word "permanent" did not appear in the IRA's ceasefire statement. But these must nevertheless be sweet moments for Mr John Hume.

The leader of the mainly Catholic Social Democratic and Labour party is widely credited with injecting vital momentum into the peace process through his meetings with Mr Gerry Adams, the Sinn Féin president, starting in April 1993.

He was pilloried savagely for his troubles – not least when he claimed in November there could be "peace within a week" if the joint initiative, dismissed as "sheer lunacy" by Mr James Molyneaux, the Ulster Unionist party leader, was embraced.

But now he is entitled at the very least to a wry smile. His decision to put his reputation on the line hy insisting on the overriding need to bring Sinn Féin on board, often against the instincts of his senior party colleagues, may well have been vindicated.

No wonder he yesterday professed himself "very pleased indeed" with the the IRA's announcement and insisted that a total cessation of violence was at hand.

The sheer bitterness of the vitriol that has at times been heaped on him over the last year is in some ways readily comprehensible.

Apart from his determination to sup with the devil, as hardline unionists have seen it, Mr Hume has a reputation for not being a good team player, and for arrogance and bloody-mindedness. Interviews with him can quickly degenerate into university-style tutorials.

His frustration at the comments of others in some of the heated Commons debates as the UK-Irish initiative ground its way forward has sometimes been counter-productive and all too readily apparent.

But Mr Hume, 57, is also a man of passion, generosity and integrity – besides being enormously good company.

Although steeped in the cauldron of Ulster politics, the stress of the last few months has been enormous and has taken its toll. A cigarette is rarely absent from his grasp. Talk of his retirement as MP for Foyle, a Westminster seat he has held for 11 years in addition to serving as one of the province's three MEPs, has surfaced more than once.

But it is a safe bet that such thoughts are far from his mind at present.

Among his most pressing tasks will be to try to convince the British government that yesterday's announcement is enough to start the clock ticking on the three-month period within which London has promised to begin talks with Sinn Féin in the event of a permanent end to violence. He said yesterday that he hoped dialogue would begin "as soon as possible."

A respected figure in Washington and Brussels, he may also have a key role to play in encouraging support for the substantial package of US aid which is widely expected.

The transformation that beavy US investmant has helped bring about in his backyard of Derry – once the epicentre of the troubles but comparatively calm in recent years – is seen by many as indicative of what might be achieved throughout the province.

US visa gives veteran a role in peace process

By Tim Coone

The final piece of the jigsaw to fall into place hefore the announcement of tba IRA ceasefire was the granting on Tuesday of a US visa to Mr Joe Cahill, a veteran republican.

During the visit of an influential Irish-American delegation to Dublin and Belfast last week, Sinn Féin attached great importance to the US government allowing a senior republican to visit the country.

The purpose of Mr Cahill'a visit is to explain Sinn Féin's and the IRA's plans to republican supporters there, and to prepare the ground Sinn Féin efforts to encourage the US administration into acting as an "honest broker" in developing the peace process.

Mr Cahill, now in his late 60s, was sentenced to death for IRA activity in 1942. The sentence was commuted, and he emerged in the early 1970s as a key figure in establishing the Provisional IRA when it split from the Official IRA.

He became commanding officer of the IRA's "Belfast Brigade" in 1971. He met Sir Harold Wilson, who was then the British prime minister, in Dublin on March 13 1972, during a 72-hour IRA ceasefire. The two met again at Sir Harold's home in Buckinghamshire in July that year.

Lord Merlyn Rees, then Labour's spokesman on Northern Ireland, described Mr Cahill and his colleagues as "hard men who talked and looked like soldiers.

"They talked solely in terms of military victory. There was no sign of compromise".

Mr Cahill became head of the IRA's Army Council in November 1972 and was involved in negotiating tbe first Lihyan arms sbipments for the IRA.

He was arrested by the Irish Navy in March 1973 aboard a West German cargo ship, accompanying five tons of Libyan arms.

He spent time interned in Northern Ireland and was imprisoned in tbe Republic, where he spent 23 days on hunger strike.

Replaced by a younger leadership in the late 1970s, Mr Cabill has remained a respected figure in the Republican movement.

BT cuts prices in long-distance market

By Andrew Adonis

British Telecommunications cut the price of long-distance calls within the UK by up to a quarter yesterday, in a move likely to increase pressure on its competitors in the business market.

The reductions, which will cost BT £244m over a full year, were made within the terms of an agreement with Oftel, the telecoms regulator, obliging BT to cut its charges by a total of about £500m in this financial year. They take effect from September 29.

Oftel does not dictate the precise price cuts BT must make, only their total value. The reductions are the latest in a series aimed by BT at business users, who account for a disproportionately large share of long-distance calls.

Mercury and other new entrants in the business sector earn most of their revenue by undercutting BT on long-distance call charges.

In a clear indication of its predicament, Mercury said yesterday it would be cutting business prices "shortly after" BT, but refused to say by how much.

Earlier this year Mercury briefly retained the morning peak rate for some business customers after BT abolished it.

Yesterday's price cut involves abolishing the higher rate band for calls of 35 miles or more, which accounts for nearly three quarters of all long-distance calls made in the UK.

It follows a 20p reduction, to 25p, in the cost of calls to directory inquiries, which takes effect today at a cost of £75m a year to BT.

BT said that an average business customer, with an annual call charge bill of £431, would save £20 (4.6 per cent) after the long-distance price cut. The average residential customer, with an annual bill of £164, would save £6 (3.7 per cent).

The changes leave BT with about £190m worth of cuts to make before the end of the year. Analysts believe the most likely target is international calls, where BT faces increasingly stiff competition.

Mercury earns nearly half its revenue from international calls, and several new operators – including Worldcom and MFS – are competing hard for corporate international business. Energis, a new UK long-distance operator using electricity pylons for its network, opened for business this week.

BT also announced a range of improved discount schemes for high-usage customers. Small businesses with quarterly call bills of £50 or more are the main gainers.

Mr Michael Hepher, BT's managing director, said the price cuts "were made possible by BT's £20bn investment in modernising the UK telephone network over the past 10 years".

The Telecommunications Users Association welcomed BT's price cuts, and the simplification of the tariff structure. "It will enable customers to more easily understand call costs," said Mr Bill Mieran, its chairman.

Valuation target for Broadgate set at £1.5bn

By Simon Davies and Andrew Taylor

Potential buyers of Broadgate Properties, the City property investment company owned jointly by Stanhope and Rosehaugh, have been told that the company will be worth £1.5bn in three years' time, compared with its most recent valuation of £935m.

Jones Lang Wootton, which has been advising Stanhope on Broadgate, has indicated to interested parties that rents, excluding concessions, in Broadgate's core City properties should reach £50 per sq ft within 18 months. This compares with current estimates of around £30 per sq ft, which implies an explosion in City property prices back to the peak levels of 1989/1990, which saw average prime rents of £55 per sq ft.

Potential bidders were agog at the price, and dismissed it as an attempt to divert them from Stanhope's weak negotiating position. Stanhope has to restructure its £160m debt by the end of this year, when its bank lines come under review.

Interest has been intensifying in Stanhope, which had a net negative worth of £15.8m in June 1993, but which still controls a large high quality property portfolio.

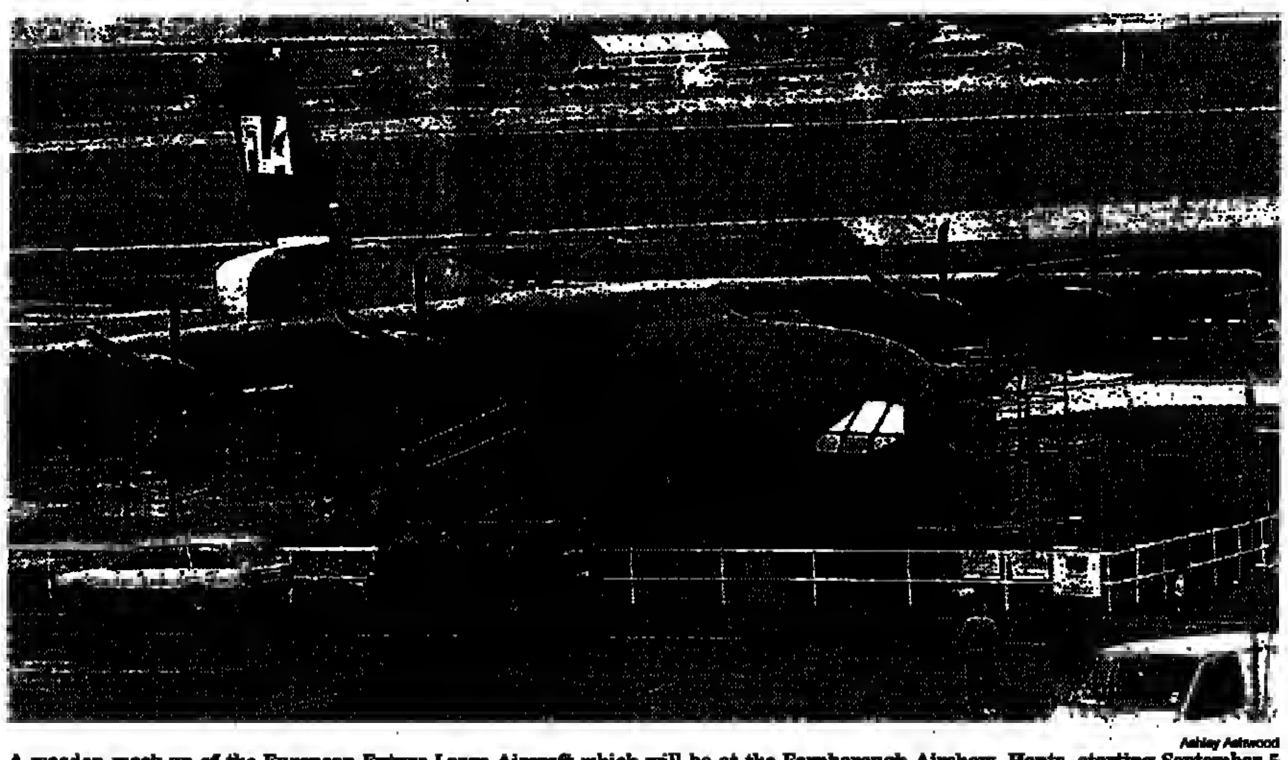
Mr Stuart Lipton, Stanhope's chief executive, is confident that his portfolio will remain intact. He is keen to arrange a restructuring, enabling Stanhope to buy the Rosehaugh receiver's half of Broadgate, but analysts dismissed this as a pipe dream. It is more likely that Stanhope will have to part with its own stake in the holding company for the Broadgate and Ludgate developments.

The front runner for such a purchase is Mr John Ritblat's British Land, which owns 29.9 per cent of Stanhope's shares – sufficient to block any financial reconstruction under Stanhope's quaintly named "Project Phoenix".

British Land has made no qualms about the fact that its only interest is Broadgate. US securities houses, Goldman Sachs and Morgan Stanley, are also known to be interested, and there is a fourth bidder lined up.

There has also been renewed interest in Stanhope's debt. Long-Term Credit Bank has found a buyer for £20m of debt, at a price of around 60p in the pound. It is understood that Bankers Trust is the buyer, but there may be other sub-participants, prepared to gamble on a successful restructuring.

Part of the attraction of Stanhope is its pre-emption rights over Rosehaugh's Broadgate stake.



Ashley Ashwood

A wooden mock-up of the European Future Large Aircraft which will be at the Farnborough Airshow, Hants, starting September 5

Tunnel bids to include station plans

By John Authers

The four private consortia bidding to build the Channel Tunnel Rail Link must submit plans to build stations at both Ebbsfleet in Kent and Stratford in east London, Dr Brian Mawhinney, the transport secretary announced yesterday.

Ebbsfleet will definitely be the site for an international and domestic station, while a decision will be taken later on Stratford. Tenderers have been asked to submit plans for an international and a domestic station there. Proposals to build a station at Rainham in Essex have been abandoned.

A government decision on intermediate stations for the link was originally scheduled for May, and the project is behind schedule.

The consortia must lodge their tenders with the government by March 14 next year. These must include the size and timing of the support required from the government – total costs of the project are estimated at £2.7bn – and an allocation of risk between the government and the private sector.

The winning consortium will design, build, finance and operate the link through European Passenger Services, the company responsible for international passenger train services using the Channel tunnel, and take over Union Railways, the British Rail company which has developed the link project.

The four groups invited to tender are: Eurorail CTRL (BICC, GEC, HSBC Holdings, National Westminster Bank, Seeboard, Trafalgar House); a consortium of Hochtief, Costain, Nishimatsu and Siemens; London and Continental (Arup, Bechtel, Blue Circle, Halcrow, National Express, Virgin, Warburg); and Union Link (AEG, W.S. Atkins, Holzmann, Mowlem, Spie Batignolles, Taylor Woodrow).

Stena Sealink joins ferry ban on live animals

By Deborah Hargreaves

Stena Sealink became the last major ferry company to impose a ban on the transport of live animals on its cross-channel routes yesterday. The ban, which comes into effect today, applies to animals which are exported for fattening and subsequent slaughter in continental abattoirs.

Sealink'e decision followed earlier moves by P&O and Brittany Ferries to stop carrying live animals destined for slaughter after a high-profile public campaign by animal welfare groups such as the Royal Society for the Prevention of Cruelty to Animals.

The Ministry of Agriculture is trying to work out an acceptable code of practice with the ferry companies, livestock exporters and welfare groups. Stena said that until a code of practice is adopted, its ban will remain in place.

But Mr Roger Gale, the Conservative MP and chairman of the House of Commons all-party animal welfare group, called yesterday for a cessation to the transport of live animals throughout and from the European Community.

Mr Gale said: "it is abundantly plain that mainland European authorities are quite simply not interested in enforcing transport regulations."

Welfare groups are pushing for an improvement in conditions for animals in transit, including a reduction in the 24-hour time limit during which they can travel without food or water. However, European Union governments have found difficulty in agreeing on changes to existing regulations.

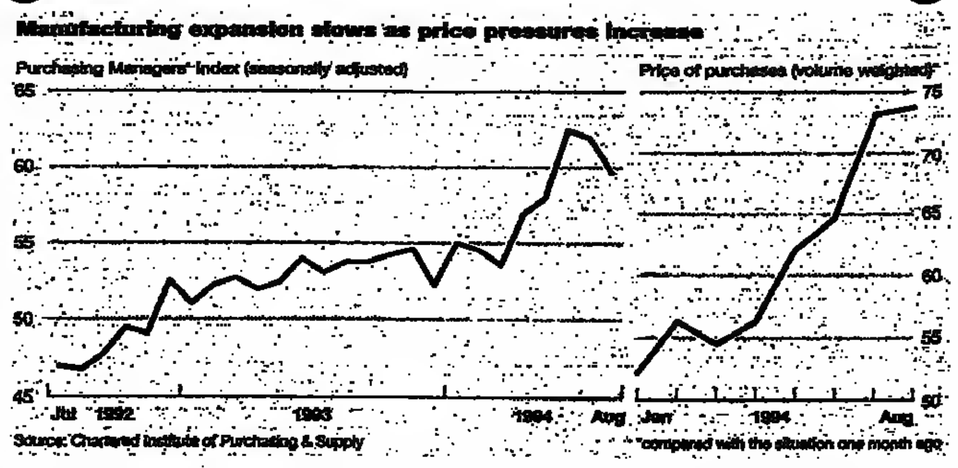
Sealink carried around 10 per cent of the live animals exported compared with 60 per cent for P&O and 10 per cent for Brittany Ferries.

The National Farmers Union said producers were very concerned about the lucrative export market being cut off by the action of the ferry companies.

Exports of live sheep and calves are worth about £160m a year to the industry and business has been growing.

Further growth in manufacturing

By Gillian Tett, Economics Staff



The UK manufacturing sector continued to expand last month, but this rapid growth may be creating supply bottlenecks and pushing up prices in some sectors, a business survey yesterday suggested.

The survey of UK purchasing managers, published by the Chartered Institute of Purchasing and Supply, showed that the price index rose to a seasonally adjusted 73.7 per cent last month, up from 73.2 per cent in July.

This was the highest level since the index started in 1991, indicating that a rising number of manufacturers are reporting price increases, the CIPS said.

Purchasing managers in the plastics, paper and steel sectors had seen particularly significant price rises, with over two thirds of respondents in the chemical, rubber and plastics industries reporting increased costs, the CIPS said.

Although rising commodity prices accounted for part of this surge, growing demand was also pushing up prices, the CIPS added.

In another trend that may also point to capacity constraints in some sectors, suppliers' delivery times were also reported to be growing. The suppliers' deliveries time index fell to 36.6 per cent last month, the lowest rate in its three-year history.

Meanwhile, the overall PMI index, compiled from the separate figures on output, orders, purchases, delivery times, stocks and employment, fell to 59.6 per cent in August, compared to 62.0 per cent in July.

Any reading above 50 per cent indicates an increase in activity compared to the previous month so the index suggests that manufacturing activity was continuing to expand last month, despite the slight reduction in pace, the CIPS said.

Britain in brief

Airline staff vote to strike

Cabin crew at Britannia Airways, the UK's second largest airline have voted to take strike action in support of their annual pay claim.

The 900 members of the British Airlines Stewards and Stewardesses Association – part of the Transport and General Workers Union – voted 2-1 in favour of strike action. Some 87% of the 700 who voted, supported the strike, said the union.

The union had rejected a pay offer of three per cent on basic pay with an extra two per cent unconsolidated lump sum payment.

Britannia management have agreed to talks with the union today in the presence of members of the Advisory Conciliation and Arbitration Service.

In the meantime Britannia, in volume terms the biggest charter airline the world and a subsidiary of Thomson's Group, the holiday company, is training volunteers from other parts of the group.

The airline said it had secured more than the 400 volunteers it needed to replace striking cabin staff if they took action. Some 900 of the airline's 1,460 cabin crew belong to the union. The replacement staff are undergoing a four-day safety and emergency procedures course that will allow them to gain Civil Aviation Authority certification.

Britannia said it was confident that it could run a complete service with skeleton crews if a strike went ahead.

Doubt over Swans workers

A core workforce at Swan Hunter would have to be laid off, rather than made redundant, and to forfeit entitlement to lay-off payments as a condition of continued employment, the French company wishing to buy the Tyneside shipbuilder said yesterday.

The affected workers, who under this proposal would not be made redundant in November when Swans last frigate is handed over, would then have to wait on lay-off to be called to work as required by its new owner, claiming state benefits when not receiving wages. Under the present company scheme, they are entitled to 68% of their earnings if laid off.

Mr Fred Henderson, who has led negotiations for Soffia/Constructions Mécaniques de Normandie on its proposed purchase of Swan Hunter, which is in receivership, said CMN would take on the legal obligation to pay the employees their redundancy, should they later not be needed.

Rise in value of farmland

The average value of agricultural land in the UK rose by 21 per cent in the year to the end of June, according to a farmland valuation index compiled by Savills, the land surveyors.

The improvement in British farm incomes following the devaluation of sterling against other European currencies has contributed to the land boom, the company said.

Land values increased most in regions where large arable holdings are predominant as these farmers have benefited most from the upturn. Rises in hill land value were lowest at 10 per cent. Farmland values increased by 12 per cent in the first 6 months of the year.

N Sea licences 'fast-tracked'

The British government yesterday announced tha completion of the 15th North Sea oil and gas licensing round, the first to be conducted under a "fast track" approach to ensure early exploration of the blocks on offer.

Mr Tim Eggar, energy and industry minister, said many of the successful bidders had agreed to accelerate their seismic surveys and exploration drilling to ensure any discoveries could be tied into the existing North Sea transportation infrastructure.

The six-year licences cover 29 of the 81 blocks offered last April. They are concentrated in the southern basin, a mainly gas area, and the central North Sea. Both are established production areas with extensive pipeline networks.

Amoco UK, the British arm of the US oil company, and British Gas were among tha successful bidders. But Mr Eggar said he was pleased that a number of smaller companies also secured licences.

Nominations for the 16th licensing round are being considered, with an announcement of blocks to be offered expected in the autumn, Mr Eggar said.

'Reasonable' job laws urged

Harmonisation of employment laws in the European Union must "remain within reasonable limits", Mr Jacques Delors said in London yesterday.

Mr Delors, retiring president of the European Commission, said at a Trades Union Congress meeting that EU-level rights must not become an obstacle for less developed countries.

He struck a more cautious note about the European social dimension than when he spoke to the TUC Congress in 1988 and helped convert the British labour movement to a pro-European stance.

Mr Delors, a former union leader in France, stressed that it was important to respect national diversity. He also warned that unions had often failed to stay in touch with their members' aspirations and needed to restrain wage demands.

Power company to build station

Scottish Hydro-Electric, the electricity company, is to strengthen its push into the English and Welsh power markets by building a 47MW combined heat and power station in Runcorn, Cheshire.

The plant, which will supply electricity and steam for Salt Union, part of the Harris Chemicals Group, will be owned and operated by Hydro.

Surplus electricity will be sold to Hydro's existing customers through the local distribution system.

Salt Union is Hydro'e third CHP plant in England. The first was a 9MW joint venture with Arjo Wiggins in Dover, Kent, the second a 157MW joint venture with BNFL at Sellafield, Cumbria.

Hydro is also in the final stages of commissioning a 680MW combined cycle gas station in Keadby, Humberside, with Norweb as partner. When all of these projects are commissioned next year, about a third of Hydro's production will be available to supply customers in England and Wales.

TECHNOLOGY

Information is an asset that must be guarded, says **Michael Dempsey**

Dangers of data overload

With a computer on every desk, information now flows freely in most commercial organisations. But according to Robert Hawley, chairman of Nuclear Electric, the state-owned UK nuclear power generator, that very access to data is proving counter-productive.

Companies are being saturated with data. Hawley is one of a growing band of industrialists who have recognised the need to control information before it can be properly exploited.

Since last October, Hawley has chaired meetings of the Hawley Committee. Taking its cue from the Cadbury Report on corporate governance, this body is dedicated to producing practical guidelines for board members when dealing with information systems.

Hawley's fellow committee members include leading figures from Smiths Industries, the aerospace and defence group, the Cooperative Bank, the Inland Revenue and the Ministry of Defence. This working party is complemented by KPMG, the management consultancy. It has been assigned the vital leg-work of trawling through British industry to establish data on the management of information. The main finding of the committee so far is that the saturation of information in business is undermining its value. Staff at all levels are overwhelmed with computerised data.

"In our attempts to make sure everybody is informed we're over-informing," says Hawley.

One way to tackle this problem is to limit access to IT systems. This might appear to fly in the face of the received wisdom of the 1980s that more databases meant better business. Hawley thinks otherwise, and has embarked on an ambitious programme to rationalise information in his own backyard.

A Nuclear Electric working group is trying to establish just who needs what information. It is currently preparing for privatisation, so any move that trims an annual IT budget of £35m and also ties into management concerns about unlimited access to information is timely.

The executive information system blinking from the terminal on Hawley's desk is updated with market data, the organisation's daily operations and the state of play at 15 nuclear power plants. But it can only be used by 100 staff.

"When I came on board, everybody wanted it. The popular sentiment was to expand the system by 100 staff at a time. But we run the business with this information. It's one hell of an asset and now we're protecting it."

According to Hawley, not enough executives view information as a vital and risky asset, even though "the board is ultimately responsible for illegal use of data". A deluge of publicity surrounded the recent British Airways' courtroom admission that staff effected illegal access to Virgin Airlines' booking data. But this case does not appear to have raised the profile of information as a critical asset to be guarded.

Hawley is keenly aware that a report of the committee's findings will only be as good as the response it generates. Will industry take the conclusions on board? Hawley hopes it will and intends to distil the committee's conclusions into a painless read.

"We're not going to produce a tome. There will be a single page containing short and simple guidelines. That should spark enough interest to get board members reading a more detailed document listing our findings."

Hawley is convinced that this is too important an issue to gather dust. "We're not studying the mismanagement of IT," says Hawley. "We are saying that information is an asset main board directors are consistently failing to recognise."

He says boards are not yet asking whether they are getting the right information. "They can easily talk about the bicycle shed question – which big computer system to install. But they miss the whole issue of management of information."

Cutting the cord

Japan's handy phone system may become the pan-Asian standard, writes **Robert Patton**

Nippon Motorola is one of dozens of companies interested in promoting PHS

The government of Hong Kong this summer became the first outside Japan to opt for Japan's Personal Handy Phone System. Hong Kong's decision to go ahead with PHS instead of rival systems even precedes Japan's formal adoption of its own system.

Not that there are any doubts that PHS – the latest attempt to provide wireless personal communications at costs low enough for most people in developed nations – will begin operations in Japan early next year. Most Japanese consumer electronics manufacturers (including Toshiba, Sanyo, Casio, Mitsubishi, Nippondenso, Aiwa, JVC, Kenwood and Sony) have produced telephones for the new system and Matsushita has had a PHS-compatible cordless phone on the market since April.

Japan's government is developing a proposal which, if accepted by its neighbours, will make PHS the pan-Asian standard for wireless communications.

It would be hard to come up with an example of a product that has generated so much enthusiasm and national commitment so far ahead of official approval, let alone market acceptance. PHS may just turn out to be the "killer product" that Japan's high-technology industries need to disperse the clouds over the Japanese economy since the boom of the late 1980s.

The roots of the PHS concept can be traced back to the first cordless telephones of the 1970s. Dubbed CT1, these early attempts to cut the cord were limited to a range of only a few yards. But the second generation CT2 technology gave cordless telephone users a wider range of several hundred feet. PHS aims to break the constraints and allow users to roam anywhere within a few hundred feet of cell stations installed and operated by service providers.

There have been previous attempts to achieva that goal, including the Telepoint system tried with little success in the UK and Hong Kong and the Digital European Cordless Telecommunications (DECT) system.

Hong Kong's geography is particularly well suited to PHS technology, which is based on much smaller cells than existing cellular telephone systems. Countries such as the US or Australia have large areas that must either be covered with large numbers of unprofitable cell stations or left as holes in the system.

The small area of Hong Kong, on the other hand, requires a relatively small number of cells for complete coverage. Japan is aiming for only 50 per cent coverage of its population in the first five years of the PHS service.

When used near its base station, a personal handy phone functions as a cordless telephone and is billed as if it were any other home or office telephone. Out of range, however, the handy phone switches to the nearest cell station. Like a cellular phone, it can originate or receive calls as long as it remains within range of a cell station, but it cannot be used in cars and other fast-moving vehicles.

In return for that shortcoming, it enjoys two important benefits. The first is drastically reduced cost: calls can be made and received at about a third the cost of cellular services. That fact alone has led to projections that 90 per cent of the population of developed countries would subscribe to the system.

The second benefit is a very wide usable bandwidth. Unlike cellular phones, which use much of their available bandwidth to provide the fast cell-to-cell switching required for communication from moving vehicles, PHS has sufficient bandwidth for multimedia use. According to Sachio Semmoto, co-founder of the DDI telecommunications company and a pioneer of PHS, the personal handy phone opens tha door for small operators to compete with telephone and cable television companies that have wired infrastructures in place.

This month, a Tokyo cable operator will launch the first tests of PHS for wireless multimedia applications. Fifteen ground stations will be built for the test, connected to the Tokyu Cable Television network and then tied to the switchers of the Tokyo Telecommunication Network. Other Tokyo-based companies involved in the project include Mitsubishi, Mitsui, Tokyo Electric Power and Tokyu.

The ability of PHS to transmit multimedia data is especially important to many areas in China and south-east Asia that lack a copper telecommunications infrastructure, let alone the "fibre to the home" that technologically advanced nations are talking about. PHS offers the potential of moving into the multimedia age using wireless technology.

But there have been some false starts. Hong Kong had an earlier, unsatisfactory experience with the Telepoint system and its CT2 technology.

The Hong Kong telecommunications authority chose PHS over DECT and the American B-CDMA systems. The decision was largely based on the results of Japanese field trials that have been under way in Sapporo and Tokyo since last autumn.

The Tokyo trials will finish at the end of September, but in Sapporo 98.7 per cent of male non-business users said they wanted to use a handy phone as soon as commercial service begins. Female non-business users were only slightly less enthusiastic at 97.5 per cent.

Hong Kong decided on PHS after the Japanese system was promoted by Japan's Ministry of Posts and Telecommunications (MPT) and a consortium of 28 companies including Nippon Telegraph and Telephone, DDI, Kokusai Denshin Denwa, NEC, Nippon Motorola and Sweden's Ericsson.

Hong Kong, which has already asked MPT for technical assistance in introducing the system, will be able to accommodate approximately 6m subscribers within its confined geographical area by allocating the same 1,895-1,918.1 MHz band that Japan will use for its system. Other technical issues such as voice transmission speed and switch specifications have yet to be decided.

Licences will be awarded to telecommunications carriers in the first quarter of 1995 and the Hong Kong service is expected to begin by late summer or early autumn. MPT hopes that Hong Kong will be the first of many Asian governments to adopt PHS.

At the end of August, the ministry set up a task force to promote the acceptance of a single wireless communications standard throughout Asia. Called the Office of Multimedia Mobile Communications Promotion, the task force will begin by establishing a multimedia mobile communications study group to evaluate the feasibility of establishing PHS as that standard.

The ministry's goal is to promote the development of a multimedia information infrastructure for Asia. Wireless technology is essential because most Asian countries are not expected to create a "hard-wired" infrastructure until well into the next century at the earliest.

Coffee and genes

After the non-squashy tomato and the slow-ripening banana, the latest product to catch the imagination of genetic engineers is the decaffeinated coffee bean.

This month, ESCAgenetics Corporation, a Californian biotechnology company based in San Carlos, was granted a patent covering a process for genetically modifying coffee cells. The company is now looking for a collaborator to help exploit the process.

That process involves inserting a gene from a wild strain of coffee that produces low levels of caffeine into coffee cells grown in culture. The same process could be used to produce coffee plants with better yields and increased pest resistance.

The developers hope the use of genetic engineering will be a breakthrough in the hitherto largely frustrating quest to produce naturally decaffeinated coffee. Attempts to breed decaffeinated coffee plants are complicated because coffee cells have four sets of chromosomes, making them difficult to manipulate.

The success of ESCAgenetics's process in producing decaffeinated coffee plants is so far unproven, and putting the process to the test will be lengthy. It will take a year from the initial gene-splicing experiment to produce the first seedlings, after which it will take three to five years to produce the first crop.

The company believes that decaffeinated coffee produced by its process is likely to be cheaper than existing methods of decaffeinating coffee. It also hopes that consumers would prefer its process because of concern about chemical solvents which are sometimes used to remove caffeine from ordinary coffee.

If the process proves successful, it could potentially open up a large market. Decaffeinated coffee accounts for around a third of the coffee market in health-conscious countries such as the US.

Vanessa Houlder

MANAGEMENT: MARKETING AND ADVERTISING

Alan Cane on a Japanese printer campaign in which environmental concerns have lost out to cost

Putting price before conscience

Kazuo Inamori, founder and chairman of Kyocera, the Japanese high-technology ceramics company, is an iconoclast with s reputation for promoting tomorrow's orthodoxy today.

This year, however, he has been forced to abandon advertising based on the environmentally sound qualities of Kyocera printers in favour of a punchier, cost of ownership campaign. "Green" is not yet the colour of the month for hard-headed office equipment buyers, it seems.

Inamori's far-sightedness is legendary. A decade ago, he was the first to exploit the ending of Nippon Telegraph and Telephone's telecommunications monopoly, setting up a carrier which has *become the leader among* Japan's new public telecommunications operators.

He has overseen Kyocera's

It faces fierce market challenges, including overcoming the power of a successful brand

diversification from its base in semiconductor casings into computer games, cameras and, more recently, page printers. These are relatively inexpensive machines, typically costing around £1,500, designed for use with personal computers. They offer a combination of high print quality and economic operation and have become the workhorse of today's networked data processing.

The page printer market is dominated by Hewlett-Packard, the US electronics giant. Its Laserjet machines command a 60 per cent market share, leaving a handful of competitors, among them Canon, Kyocera and Oki, scrambling for the rest.

Kyocera has been looking to raise *its world-wide* market share from about 6 per cent at present to around 15 per cent. Today it competes only in the market for machines, printing at least 10 pages a minute. Later this year it will introduce s four-page-a-minute model which it hopes will doubls its market share.

In seeking to expand further, however, it faces fierce marketing challenges, among them overcoming the power of a spectacularly successful brand. HP sets the pace in the computer industry. It is a byword for quality electronics and the name is essentially synonymous with laser printers. Customers ask for HP printers without going into the competitive differences between machines. And dealers, selling a commodity product with a low-profit margin, find little incentive to promote other makers' offerings. It is, according to Philip Murphy, general manager of *Kyocera Electronics (UK)*, a "self-perpetuating connivance" which works to the disadvantage of HP's competitors.

Printer technology, furthermore, is not intrinsically exciting to customers looking only for convenience and reliability. HP's machines are powered by laser technology licensed from Canon of Japan. Kyocera has a competitive technology which uses light emitting diodes. *Both technologies* involve "writing" on a rotating drum which, in turn, transfers electric charge to paper to attract toner in the shape of the characters to be printed.

Kyocera's "green" campaign, launched last November at a worldwide cost of about £8m, exploited the fact that the laser printer drum mechanism – the cartridge – is designed for disposal. When the toner runs out, the cartridge must be replaced. There is a saving on maintenance costs at the expense of the price of a new cartridge.

Manufacturers of laser printers receive a steady income from the sale of these consumables. And the cartridge has to be disposed of. Kyocera says that by the end of 1994, laser printers will have used 300m cartridges – "a new variety of noxious, non-biodegradable landfill" its advertising claims. Its own machines, it says, simply have to have their toner replenished.

"How to save the world from your office" was the slogan Kyocera used to advertise its Ecosys range of printers. Even at street prices they work out more expensive in capital cost than their HP equivalents: "You should tell your customers there is no greater investment than saving the Earth," Inamori told his senior mangers. The campaign was aimed at increasing awareness of the Kyocera brand. But the business world is clearly not yet ready to embrace greenness as a criteria for printer purchase. "Perhaps next year" was a typical response from potential customers.

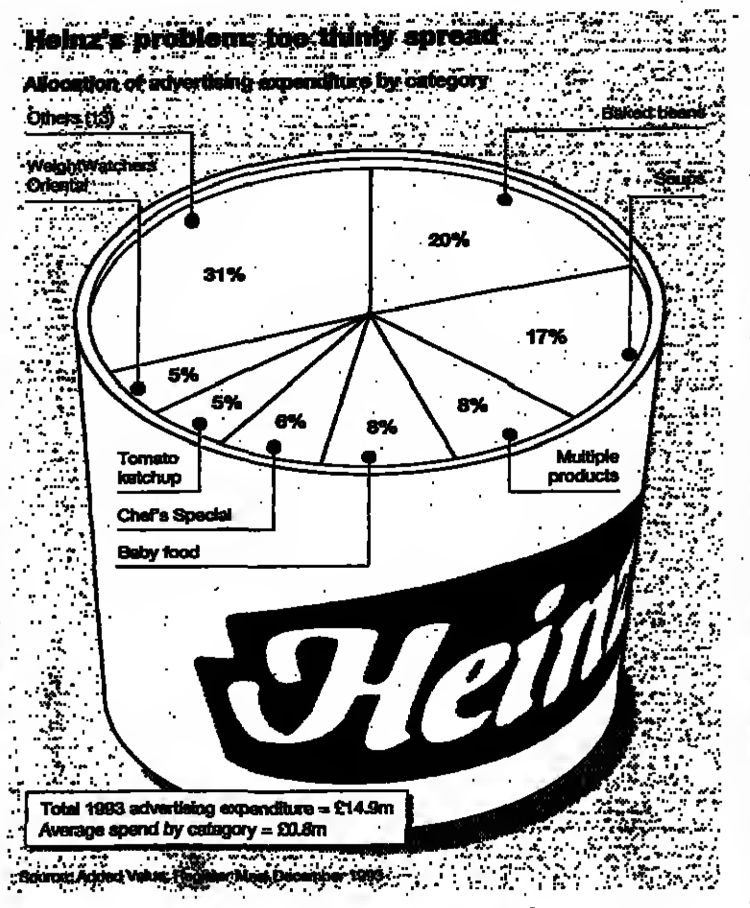
This spring, with the slogan "the page printer that prints money", Kyocera in the UK switched to a new campaign based on data *collected by Context*, a London-based marketing consultancy. Its analysis suggests that over the life of a printer, the

The market may have to go through some re-education if Kyocera is to get its message across

cost of consumables – paper, toner, new cartridges – is more significant than the purchase price.

It concludes: "Kyocera is able to lead the field in terms of overall cost of ownership through its adoption of a long-life developer and drum assembly unit which has a life of 300,000 pages." Kyocera claims costs of 0.5p a page compared with 1.9p a page for competing systems. Its rivals dispute these figures.

Will this latest campaign be successful? The photocopier market is familiar with the concept of cost per page but it is new to the printer business. Most companies neither know nor measure their printing costs. And different managers may be responsible for capital spending and spending on consumables. The market may have to go through some sharp re-education if Kyocera is to get its message across.



A costly presence

Alan Mitchell looks at new research into the price of promoting and maintaining brands

Even before the great soap war erupted this summer between Unilever and Procter & Gamble, the two companies were together expected to spend more than £75m in 1994 advertising and promoting their Persil and Ariel brands in the UK.

That is more than last year's total annual sales of Britain's 28th biggest grocery brand, Felix catfood. On its own, Persil's 1993 marketing and advertising expenditure of around £38m was equivalent to the total supermarket and high street grocery sales of Cadbury's Dairy Milk chocolate, and Ariel's £35m to the total grocery sales of Schweppes mixers.

Such can be the cost of maintaining and refreshing s top grocery brand – a cost which is making it prohibitive even for many household names to sustain their special place in consumers' hearts by using traditional marketing strategies.

Economies of scale are making life hard even for medium-sized brands. The average cost of maintaining a top-10 brand last year was £15m, about 7 per cent of sales. But for the top 70 as a whole it was £8m, more than 10 per cent of sales, according to a new study by Added Value, a marketing consultancy. For the first time, its research estimates both advertising and normally hidden "below the line" expenditure figures. The latter covers direct marketing, sales promotion, trade promotions and public relations.

"Many brands have an uphill struggle to enter the mainstream," comments Rahul Sen, a manager at Added Value. "If they can create critical mass then the ratio of advertising and promotion expenditure to sales falls rapidly. But if the marketing is not quite working, the ratio becomes very high."

Sen suggests that marketers in many categories of product are too influenced by competitors' expenditure and advertising patterns, rather than concentrating on what is needed to build a credible overall presence. Only s few can afford to create that presence on television, he adds: "The question is what happens to the rest. A lot of small brands will die."

Sen's gloomy predictions are backed by as yet unpublished research conducted by OC&C Strategy Consultants earlier this year. For one of the top-10 food companies, the marketing costs of a typical food product launch – currently running at an average £3m – will take 2 per cent of operating profits, says Michael Jary, OC&C director. But for a company ranking 31-40 they will account for 27 per cent of profits. For one between 51 and 60 they will gobble up 84 per cent.

"Escalating marketing costs suggest that fewer products are getting sufficient support during launch to create a defensible franchise," says Jary. "You don't have to be too far down the league before you can't launch a new product."

Companies have already devsloped branding and marketing strategies which respond to these cost pressures. For example, all commercials for Cadbury chocolates carry the corporate name; the budget is then evenly spread across selected brands, including Crunchis bars. Others, such as Bourneville chocolate, are not advertised at all.

Marketers at Unilever's Birds Eye Walls subsidiary now have a strict umbrella branding policy whereby all the company's advertising is designed to enhance the standing of its various sub-brands, and all new product advertising is equally designed to "freshen" the Birds Eye image. Says John Sharpe, Birds Eye Walls' chairman: "With the costs of supporting and developing a brand you have got to look for the best synergies." Even so, he adds, "we are definitely removing support from certain products to concentrate resources on priority brands, and we are also having to rationalise our product range".

"Most companies just cannot afford to keep their whole load of brands fresh, so they are trimming, cutting their tail-end brands off," *comments* John Brady, head of the consumer goods and retail practice of McKinsey, the management consultancy. This, he points out, is "emotionally a very hard thing to do. But if you assign all relevant costs – not just advertising and promotion spends – you often find they are losing you money".

Now, however, some marketers are realising that even the synergies generated by portfolio rationalisation and classic umbrella branding may no longer be enough. Next month, for example, the first corporate brand-building campaign for Heinz should appear on Britain's television screens. Heinz has decided to withdraw all product advertising from television to concentrate its resources on direct marketing. Television will be for the corporate brand alone.

This is not because the company is now a rumoured takeover target, but because of the more mundane dilemma highlighted by Added Value's research. With an advertising budget of £15m, Heinz had an average of just £0.8m to support each of its leading categories, such as baked beans, soups, baby foods and ketchups. It would have been "a *Herculean* task" for Heinz to support its 350 separate variants on television, agrees a spokesman. "There was no way we could do it. We reached a point where it was time for us to review our whole marketing strategy."

Heinz's rethink and Added Value's research *suggest that for those* many brands whose total sales struggle to keep pace with the marketing spends of "power brands" such as Persil and Ariel, more such "put-up or shut-up" decisions will have to be *made*.

Comments Roger Ramsden of the Boston Consulting Group. "Most companies are reappraising their brand portfolios as a consequence of the cost of maintaining their brand presence. Many are beginning to include private label production [for retailers] in their plans."

That is the shut-up choice. The put-up alternative? Says Sen: "If you have classical television-led brand management and you only have £1m-£2m to spend, you are likely to lose. So you have to look at non-conventional methods to avoid the costs of entry." Heinz has chosen a database marketing route.

Müller, the sensation of the UK yoghurt market, forced its way into the branded goods charts by ploughing all its marketing budget into distribution – offering retailers margins they could not refuse, notes Jary.

As the cost of branding combines in a pincer movement with rising retailer power, more grocery brand marketers will have to develop similarly innovative strategies.

PEOPLE

World Bank's new spin doctor

Mark Malloch Brown, 40, a former journalist on The Economist, has been given the job of repairing the image of the Washington-based World Bank, which is celebrating its fiftieth anniversary this year.

A British national who created and edited The Economist Development Report, he has been appointed director of external affairs, reporting to World Bank president Lewis Preston. Hs replaces Alexander Shakow who becomes senior adviser in ths Bank'e operations policy department.

The Bank has come under increasing attack over the last

couple of years. Those on the right argue that the markets can take over its role as investor in developing countries. Others argue that the Bank's programmes have hurt rather than helped the poor. The decline in the Bank's image has been partly blamed on its inability to get its message across.

Malloch Brown's media skills have been honed in some of the world's toughest trouble spots. During his time with the United Nations High Commissioner for Refugees he was responsible for establishing camps for Cambodian refugees. Other jobs have included advising the presidential campaigns of Cory Aquino in the Philippines and Mario Vargas Llosa in Peru.

He currently heads the international practice of Robinson Lake Sawyer Miller, a Washington political consultancy.

Northern Leisure selects managing director

Clive Preston, 55, has been appointed managing director of Northern Leisure, the Preston-based group which is recovering from a period of over-expansion and heavy losses.

Preston, who joined the group in 1990, is currently the operations director.

In his new role he will run the group on a day-to-day basis and take some of the weight off the shoulders of Nicholas Oppenheim, the group's vice chairman. Oppenheim had got more heavily involved in the company's affairs after it ran into trouble and has helped oversee the slimming down of the business and its refinancing.

Robert Wickham, 61, a former general manager of the Bank of Scotland, has also joined the board as a non-executive director.

Graham Massey, 39, who runs the group's bowling centres, has also been appointed to the board.

Salomon's equity drive

Sslomon Brothers ie continuing its push into the European equity business by moving David Karat, head of the firm's European fixed-income capital markets group, over to lead its UK corporate finance team.

Karat is the archetypal investment banker. The 42-year-old, who started out as a lawyer with Slaughter and May, is seen as one of Salomon's main "business-builders" because of his success in restoring the firm's reputation in the primary fixed-income business following the US Treasury auction scandal in 1991.

Karat will be replaced by Richard Boath, who followed him to Salomon from Merrill Lynch.

GARETH GRIFFITHS

Gareth Griffiths, who has died at the age of 40, joined the industrial reporting side of the Financial Times in 1979 and later went on to make his mark in a wider field.

After grammar school in Wales and Jesus College, Oxford, he joined Thomson's regional papers in Wales and then the Liverpool Daily Post.

At the FT, he helped develop the paper's coverage of social affairs.

In 1984 he decided to study law, and was called to the Bar in 1986.

But a summer relief job with the public relations agency Carl Byoir persuaded him to pursue a career in PR, first with Shandwick and later for a short time with Burson-Marstellsr, before successfully branching out on his own.

He acted for such blue-chip names as Dalgety, Booker and the Oxford University appeal.

Recently, he had decided to read for holy orders and was to have entered St Michael's College, Llandaff, next month to undertake the long road to ordination in the Church of Wales.

ARTS

THE HUDSUCKER PROXY (PG)
Joel Coen

WHEN A MAN LOVES A WOMAN (15)
Luis Mandoki

THE SLINGSHOT (12)
Ake Sandgren

BOSNA!
Bernard-Henri Levy

Crunching ironies as small dreams triumph in the teeth of corporate ambition: Tim Robbins and Paul Newman in 'The Hudsucker Proxy'

Cinema/Nigel Andrews

Capitalism stuck in a time-warp

If you can imagine *Death Of A Salesman* gift-wrapped for Christmas by Frank Capra – and I sympathise if you cannot – you will have an idea of *The Hudsucker Proxy*.

The film-making Coen brothers, writer-director Joel and writer-producer Ethan, have long been threatening to make an overblown, under-conceived movie. *Blood Simple* was a modest but punch-packing murder thriller; *Raising Arizona* was a slight but funny baby-napping comedy; *Miller's Crossing* was a rich, labyrinthine, intermittently barmy tala of American-Irish gangster wars. Then came *Barton Fink*, stylish, bloated, loved by the French and beginning to hint at major vacuity. Now we have *The Hudsucker Proxy*, a whimsical enormity in which the brothers' whole creative operation seems to have been surrendered to their prodnction designer, Dennis Gassner and his numerous assistants.

Size and show have been used to cover up the pinbrained premise. Amid over-rich sets – every room looks like Grand Central Station, every actor seems to be drowning in the ochre-and-twilight light – we watch a fable of man's greedy quest for enrichment. Takeovers threaten Hudsucker Industries, New York, after the suicide of their chairman just before Christmas, 1958. We see this in flashback: Waring Hudsucker (Charles Durning) taxiing for take-off on the boardroom table before flying through the window.

Can his aide and next-in-line Sidney Mussburger (Paul Newman) lower the company's stock, thereby enabling the board to buy control? And might not the best way to effect that devaluation be to appoint a nincompoop as chairman?

Enter mailboy Norville Barnes (Tim Robbins), upon which everything goes according to plan. The movie's moral plan, that is, not Newman's money plan. Norville sends the stock skyrocketing with his first theoretically silly invention – the hula hoop (all resemblances to real history . . .) – and by the close he is announcing something even more stupid called a frisbee.

Between the crunching ironies about small dreams triumphing in the teeth of repressive corporate ambition, our hero is visited and romanced by a character we can only call the Ghost of Screwball Heroines Past. She is reporter Amy Archer, played by Jennifer Jason Leigh as if the Coens had sat her down at a phonograph with records of Katharine Hepburn and Jean Arthur and told her to stay until she could do them both to a turn.

A "turn" is what the poor actress then gives us. We feel our minds' ears being dragged through *Mr Smith Goes To Washington* and *Mr Deeds Goes To Town* and *Bringing Up Baby*, as if not only were there no tomorrow but today had been forced at gunpoint to turn into yesterday.

Everything in *The Hudsucker Proxy* is nostalgic pastiche: from the corny-sumptuous Khachaturian music (recognisable to ex-addicts of TV's *The Onedin Line*) to the lovingly mocked-up skyscrapers embossed with giant clocks, out of *Citizen Kane* by Harold Lloyd. As for the film's David-versus-Goliath view of industrial politics, it is stuck around the year of Fritz Lang's *Metropolis*.

The Coens play their capitalism-trashing fable for comedy not epic melodrama; but its simplifications still seem retarded. In this world everyone who holds power (Newman) or gains power (Robbins) becomes corrupt. "Little" ideas are the truly durable ones. And only the love of a good woman can hope to turn our hero from the path of moral degeneration. Sad, sententious, time-warped. Wake me up when the Coen brothers reach 1994.

★

Hollywood has traditionally been reluctant to make films about alcoholism, writes Stephen Amidon. When drunks do appear on screen, they are usually used for either comic relief or a quick shot of pathos. Eliciting sympathy for the addict is a tricky business, requiring the genius of a Jack Lemmon or a Michael Keaton. Far better to afflict your hero with a less problematic disease.

The makers of *When a Man Loves a Woman* seem to have lost sight of this fact, creating a wino weepie that never really engages the audience's sympathy. In it, yuppie Alice Green (Meg Ryan) tries to kick her quart-a-day Vodka habit at an exclusive clinic, while her hunky, caring husband (Andy Garcia) looks after their angelic kids in a San Francisco dream home, aided by a diligent ethnic nanny. Setting aside the obvious cavil that if someone who looked like Meg Ryan drank a quart of Stoli a day she would not look much like Meg Ryan, it would still take a rare film indeed to make us care for such a pampered character.

Unfortunately, director Luis Mandoki tries to push all our pity buttons without first earning our respect. He, along with writers Ronald Bass and Al Franken, would have us believe that their heroine merely catches alcoholism as she might 'flu. It doesn't wash. Kicking the bottle certainly has its heroic elements, but they are of a different order than those found in, say, terminal cases. Ryan is at a loss to portray a character for whom hitting bottom means taking a baby step down the social ladder, while Andy Garcia is equally at sea as her beleaguered spouse. Only Ellen Burstyn as Ryan's acerbic mother can inject some realistic passion into the film, suggesting that somebody might be to blame for this boozing after all.

★

The Slingshot is one of those perfectly pitched coming-of-age stories that the Swedish film industry churns out with alarming regularity. Set in 1920s Stockholm, it follows the exploits of Roland, a poor yet resourceful 12-year-old who wins friends by using the condoms his progressive parents distribute to make slingshots.

Director Ake Sandgren's touch is as light as a feather, allowing him to modulate scenes of ribald anarchy and gentle emotion without ever hitting a wrong note. Lesser talents would have turned the prophylactic weaponry into the film's centrepiece, but Sandgren wisely keeps it just one of many arresting images of youth. And it is a measure of the director's ironic sensibility that when Roland finally escapes poverty for his childhood paradise, his destination turns out to be a reform school.

Bernard-Henri Levy's *Bosna!* is an old-style polemic whose maker would like nothing better than to have its audience storm out of the ICA, rush across The Mall and besiege the Foreign Office, demanding something be done about the situation in Bosnia. Levy spent several months in the Balkans last year, collecting imagery too powerful for the TV news – snipers at work, the aftermath of bombings and beheadings, and one unforgettable scene of a concentration camp inmate dying of shock after being given his first drink of water in three days.

Levy argues that the Bosnian government's fate is a political situation which the west has cravenly transformed into a humanitarian crisis. It is a compelling point, though the director's unchecked partisanship hinders his argument. The Serbs are referred to as "scum" and at no time are they asked to give their side of the story, weak as it may be. NATO's recent air strikes, meanwhile, undercut Levy's accusations of western inaction. That said, this remains a disturbing documentary that should shame everyone who claims to suffer from compassion fatigue.

Stuart Hepburn and Alison Peebles

Theatre in Edinburgh/**Martin Hoyle**

Armstrong's Last Goodnight

Scottish Nationalists who have been complaining about the paucity of native culture in the official Edinburgh Festival may be appeased by a slice of Scots history from an English playwright. Certainly, *Armstrong's Last Goodnight* by John Arden, unveiled at the Lyceum Theatre 30 years after its Glasgow premiere is a tough experience for non-Caledonians. Most of it, conducted in an accent that makes Rab C. Nesbitt sound like Brian Sewell, is unintelligible; and when intelligible, uninteresting.

The story is set on the Anglo-Scots marches, among the reivers, those free-booting lairds who cocked a snook at authorities on both sides of the border, cattle-rustlers, pillagers and gangsters whose favourite form of protection money came in the original "black mail". The central character is John Armstrong of Gilnockie, a historical figure in the time of James V and his uncle Henry VIII. His execution by the Scottish king is the subject of an old ballad. The modern playwright has fleshed out this violent episode with what I suspect are reflections on the nature of politics, trust, responsibility and probably nouvelle cuisine, DIY and formula one racing for all I could gather from the incomprehensible dialogue.

What is clear from William Gaskill's indeterminate direction is that characterisation is almost totally absent. The play is less a think piece than a talk piece. For the most part these are pawns who come on, talk politics and walk off. When something more engaging is called for the result is embarrassing. The courtesan mistress of the smoothie troubleshooter and man of letters Sir David Lindsay is a terrible cliché, and so Alison Peebles plays her, strenuously roguish, hand on hip, with mnch swishing of skirts and knowing *oeuillades* at the audience.

Fairly typical of the writing's inability to rise to the theatrical challenge is the scene where the roistering Armstrong and his followers are revealed as converts to a reforming evangelist, with no hint of how, when or why these bandits turned into witnesses of faith that Billy Graham would be proud of. The conversion has been done off-stage with the chastity of a an ancient Greek disaster. On second thoughts perhaps one should be thankful.

The ideas are not only banal but confused: sophisticated *realpolitik* is set against – what? For the main weakness of this production is the void at its centre. Stuart Hepburn's dowdy Armstrong is so glumly uncharismatic as to verge on the invisible. His final tragedy, lured to a treacherous end in his finery with the king's false safe-conduct, leaves the impression of the death of a strutting clown since it has been preceded by no characterisation whatever.

The vast cast-list suggests that Arden had seen Osborne's *Luther* – there are hints of an attempt at the same historic scope, which may have prompted the 1965 National Theatre production with Albert Finney. That *must* have been more gripping. Or more decipherable.

Obituary

Lindsay Anderson

Lindsay Anderson, who died in France on Tuesday, was among the small group of directors who in the 1950s and 1960s transformed British cinema from a blinkered guardian of the nation's institutions into a sharply satirical mirror of its many ills.

Along with his "Free Cinema" colleagues Tony Richardson and Karel Reisz, Anderson spearheaded a national film movement which rivalled its French and American counterparts for intelligence and trenchant social analysis. Current lamentations about the sad state of the British movie industry almost inevitably point to Anderson's work as the ideal so rarely attained nowadays.

Born in Bangalore in 1923 into a Scottish military family, Anderson served with the Army Intelligence Corps in the second world war before entering Oxford, where he edited the influential film journal, Sequence. Upon graduation he pursued a career as a film critic for such publications as New Statesman, Sight and Sound and The Observer, platforms he used to rail against the conformity and anaemia of British film-making.

Before long, Anderson began to make films himself, cutting his teeth on a series of respected short documentaries that concluded with his Academy Award winning *Thursday's Children* in 1955. During this period, Anderson also distinguished himself as a theatre director at the Royal Court as well as directing five episodes of the famous *Robin Hood* series for television.

Anderson's career in feature films began spectacularly in 1963 with *This Sporting Life*, a powerful examination of celebrity and class dynamics in which Richard Harris portrayed a social-climbing rugby player. Although firmly in the tradition of the Angry Young Man school of gritty realism, Anderson's first film distinguished itself through a crisp anecdotal style gleaned from his years as a documentary maker.

The director's next triumph was his public school masterpiece *If...* (1968), a quintessential study of 1960s alienation and surely one of the greatest youth rebellion films of all time. That film's star, Malcolm MacDowell, was again featured in the final instalment of Anderson's informal trilogy of decay in British life, *O Lucky Man!* (1973), a technically-brilliant and blackly funny account of capitalism gone mad. In all these films the rigid institutions that held British society together were subjected to a brutal analysis, while at the same time an anarchic, emotional humanity was unabashedly triumphant. Though heavily schooled in theory, Anderson was above all else a visceral, instinctive talent who came to have little time for the visual technocrats currently masquerading as the avant garde of British film-making.

Anderson's later work never quite reached the dizzying heights he achieved in his first decade of feature film-making. *Britannia Hospital* (1982), a scathing satire of the NHS, had its memorable moments, though the deftness of comic touch that marked its predecessors was missing. And *The Whales of August* (1987), Anderson's only American film, was a sentimental drama of the first order that nevertheless had little to do with the dizzying darkness of his previous work. During this period he also continued to direct for the stage and television (most recently he returned to the National Theatre last year to direct a sell-out production of David Storey's new play *Stages*) as well as to act, most notably his portrayal alongside John Gielgud of an anti-Semitic Cambridge don in *Chariots of Fire*.

In 1947, reflecting on the controversy surrounding Powell and Pressburger's *The Life and Times of Colonel Blimp*, Anderson remarked that "perhaps the tendency is to treat the films of one's own country like its prophets – with less than justice." It is a mark of Lindsay Anderson's contribution as a director that it would be difficult for any justly-minded filmgoer to deny that his oracular, trenchant and altogether unique vision is one that remains unsurpassed in his nation's cinematic tradition.

Stephen Amidon

INTERNATIONAL
ARTS GUIDE

■ ATHENS

Odeon of Herodes Atticus Tonight, Sat, Sun: Kirov Ballet in Yuri Grigorovich's production of Raymonda. Next Tues, Wed: Riccardo Muti conducts Vienna Philharmonic Orchestra in symphonies by Mozart, Beethoven, Haydn and Bruckner. Sep 9, 10, 12, 13: Lyon Opera Ballet (01-322 1459). Sep 18, 19 at Megaron: Giulini conducts Orchestra of La Scala (01-728 2333/01-722 5511)

■ BOLOGNA

Teatro Communale The autumn concert season opens on Sep 23 with an orchestral programme conducted by Jiri Kout, featuring violin soloist Viktor Tretiakov (Biglietteria, Ente Autonomo Teatro Communale di Bologna, Largo Respighi 1, 40126 Bologna. No telephone bookings accepted. For information, call 051-529999)

■ GENOA

Teatro Carlo Felice The Odessa Opera gives the first of four guest performances of Tchaikovsky's The Maid of Orleans on Sep 22 (010-589329)

■ LONDON

THEATRE

● The Devil's Disciple: Bernard Shaw's 1897 satire on melodrama, set during the American War of Independence, is directed by Christopher Morahan. The plot features the romantic villain, Dick Dudgeon (played by Richard Bonneville), a disgrace to his family, who is driven to an act of goodness through his own innate virtue. Previews start tonight, opens Sep 8 (National 071-928 2252)

● Design for Living: Sean Mathias, one of Britain's leading young directors, takes a fresh look at Noel Coward's menage à trois who reject conventional values. The cast includes Clive Owen, Paul Rhys and Rachel Weisz. Previews start tonight, opens next Tues (Donmar Warehouse 071-369 1732)

● The Winslow Boy: this new production of Terence Rattigan's 1946 play marks the latest step in the Rattigan revival. Peter Barkworth plays the stiff upper-lipped father trying to prove the innocence of his 14-year old son, who has been expelled from Royal Naval College (Globe 071-494 5065)

● The Miracle Worker: Jenny Seagrove is the beautiful heroine in William Gibson's well-tailored tear-jerker about the blind infant Helen Keller (Wyndhams 071-369 1736)

● The Cryptogram: Lindsay Duncan and Eddie Izzard star in David Mamet's tantalising new play about betrayal (Ambassadors 071-836 1171)

● Arcadia: Tom Stoppard's complex comedy for the mind and the heart, directed by Trevor Nunn (Haymarket 071-930 8800)

● Dead Funny: Terry Johnson'a brilliant, elegantly-acted comedy about marriage among the emotionally retarded middle classes (Vaudeville 071-836 9987)

● She Loves Me: the charming 1963 Masteroff, Bock and Harnick musical about two longtime pen pals who don't know they work in the same parfumerie. Ruthie Henshall and John Gordon Sinclair head the cast (Savoy 071-836 8888)

CONCERTS

Royal Albert Hall The Proms continue till Sep 10. Tonight: Esa-Pekka Salonen conducts the Los Angeles Philharmonic, followed by a late evening concert by the London Sinfonietta. Tomorrow: Carlo Rizzi conducts Orchestra of WNO. Sat: Günter Wand conducts BBCSO in Schubert's Eighth and Ninth Symphonies. Sun: Richard Hickox conducts Malcolm Arnold'a Second Symphony and Orff'a Carmina Burana. Mon: Andrew Davis conducts BBCSO in Boulez, Maderna and Berg. Tues and Wed: Colin Davis conducts Dresden Staatskapelle (071-823 9998)

Barbican Tonight, tomorrow: Victor Borge. Sat: Neville Marriner conducts Academy of St Martin in the Fields in Berlioz, Beethoven and Brahms, with violin soloist Kyoko Takezawa. Sep 21, 22: opening of London Symphony Orchestra's Mahler festival. Sep 29: LSO 90th birthday concert (071-638 8891)

Wigmore Hall An International Festival of Song opens on Sat, with a programme featuring Barbara Bonney, Anne Sofie von Otter, Kurt Streit and Olaf Bär, accompanied by Helmut Deutsch and Bengt Forsberg. Other recitalists in the series are Christian Oelze and Hans Peter Blochwitz (Sep 4), Dawn Upshaw and Bär (Sep 6), a Bonney solo recital (Sep 8), Christine Schaefer and Karl-Magnus Frederiksson (Sep 13), Jennifer Larmore (Sep 19) and June Anderson (Sep 20). The Nash Ensemble plays new chamber works by Henze on Sep 20 (071-935 2141)

OPERA

Covent Garden The Royal Opera's 1994-5 season opens on Sep 12 with a revival of Andrei Serban's production of Turandot, with a cast headed by Sharon Sweet. La Cenerentola is revived on Sep 26, and the first new productions of the season are Das Rheingold and Die Walküre on Oct 13 and 14. The Royal Ballet's first performance will be the British premiere on Nov 3 of Anthony Dowell's new production of Sleeping Beauty (071-240 1066)

Coliseum English National Opera's new season begins on Sep 12 with a new production of Tosca, staged by Keith Warner and conducted by Alexander Gibson, with a cast headed by Rosalind Plowright, David Rendall and Henk Smit (071-836 3161)

Sadler's Wells British Youth Opera opens a short season tonight with Eugene Onegin (repeated Sep 2, 15, 17), in repertory with Rossini's The Thieving Magpie (Sep 1, 3, 14, 16). Next week is devoted to performances by Wadaiko Ichiro Drummers (071-278 8916)

Queen Elizabeth Hall The final performances of Opera Factory'a production of Nigel Osborne's Sarajevo opera are tomorrow and Sat (071-928 8800)

■ MILAN

Teatro alla Scala The Zeffirelli production of La boheme is revived on Sep 17 for six performances starring Mirella Freni, Roberto Alagna, Nicolai Ghiaurov and Gino Quilico (02-7200 3744)

■ STRESA

The chief selling point of Stresa's music festival is its situation on the shore of Lake Maggiore in northern Italy. This year's highlights include the pianist Jörg Demus (Sep 7), Martha Argerich (Sep 11) and soprano Katia Ricciarelli (Sep 13). The festival ends on Sep 18 with the Berlin Radio Symphony Orchestra conducted by Vladimir Ashkenazy (0323-31095)

■ TURIN

SETTEMBRE MUSICA

Turin's annual music festival opens on Sat with a concert at the Teatro Regio by the Vienna Philharmonic Orchestra under Riccardo Muti. Other highlights of the festival, which runs till Sep 22, include performances by Steve Reich and Musicians, the Dowland Consort, the Royal Concertgebouw Orchestra under Riccardo Chailly and the London Symphony Orchestra under Michael Tilson Thomas. There will also be concert performances of Gluck's Orfeo and Debussy's Pelléas et Mélisande (011-562 0450)

■ WARSAW

This year'a Warsaw Autumn contemporary music festival (Sep 15-24) offers tributes to three recently-deceased Polish composers - Witold Lutoslawski, Andrzej Panufnik and Roman Haubenstock-Ramati. Anne Sophie Mutter is violin soloist (Sep 16) in a programme devoted to Lutoslawski, who was for many years a leading light of the festival, and composed several pieces specially for Mutter. Antoni Wit conducts the Polish Radio Symphony Orchestra in Panufnik's Sinfonia di Sfere (Sep 18), while Klangforum Wien devotes a whole programme (Sep 19) to Haubenstock-Ramati, who was music director of Cracow Radio in the late 1940s, before emigrating to Israel and later settling in Paris and Vienna. The younger generation of Polish composers is represented in a lunchtime programme on Sep 17 entitled Hits from the Sixties to the Nineties. Among the foreign composers represented this year are Henri Dutilleux, Magnus Lindberg, Bright Sheng, Salvatore Sciarrino, Elliott Carter and Cornelius Cardew. Festival office: Warsaw Autumn, Rynek Starego Miasta 27, 00272 Warsaw, Poland (tel/fax 022-310607). During the period Sep 12-25, all enquiries to Warsaw Autumn, Hotel Europejski, Krakowskie Przedmiescie 13, Warsaw (tel 022-265051 fax 022-261111)

ARTS GUIDE

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Bedrock unionism survives OK

BOOK REVIEW

THE FUTURE OF THE TRADE UNIONS
By Robert Taylor
Andre Deutsch £9.99. 238 pages

Since 1979 British trade unions have lost about a third of their members, and union strength is now concentrated in the public services. Their membership is particularly weak among women and in business sectors showing the fastest employment growth.

At the same time, union political power has been much weakened. The abolition of National Economic Development Office and other tripartite bodies has cut them out of much decision-making. And Tony Blair has clearly stated unions will not have a privileged position in relation to a future Labour government.

It is not aurprising, then, that there should be a debate about whether the movement has a future, in anything like its present form.

The Future of the Trade Unions presents the case for the defence. Commissioned by the Trades Union Congress, the book is unashamed in advocating a strong future role for the unions. There is blush-inducing praise for general secretaries. We hear a lot of John Monks and Bill Jordan but, strangely, there is no mention of Arthur Scargill (or Jimmy Knapp), though John Edmonds is allowed a few observations. Reacting to the fall in membership he grumbles: "Working people should be queueing up to join trade unions."

But Taylor's case, though highly partial, deserves attention. He says unions have begun to put their house in order and can look confidently to the future.

His main reason for optimism is that the European Union is re-establishing a framework in which trade unions have a privileged position in policy-making. The "social dialogue" formalised in the Maastricht treaty requires the Commission to consult employers and unions on projected social legislation. Agreements reached by the social partners can be adopted by the Council of Ministers.

When this procedure was first tried – over European works councils – it did not result in agreement. Yet the *Social Affairs Council seems* likely to implement a directive establishing auch councils, now called European committees, in big European companies (many with UK parents). British unions see a re-entry point here. As Taylor says in summarising his second argument: The EU has provided not just "a lifeline for the trade unions, but the means for a potentially effective counter-offensive by organised labour for the rest of the 1990s".

His third argument is that the key to enhanced competitiveness is consensus in the workplace and unions are the path to this consensus.

It sounds persuasive. So why are most employers still unconvinced that institutionalised works councils will help their businesses? And why do many prefer routes to better communication with their workforces which do not pass through union channels?

There are two main reasons. First, UK employers note that elsewhere in Europe works councils are not exclusively union-based structures. In France, "enterprise committees" represent the whole workforce. While union representation is often prominent, unionisation is remarkably weak. Yet many British trade unionists talk as if European works councils will re-establish unions' exclusivity. Mr Edmonds has said bluntly: "If we succeed, works councils would become our dream solution to the problem of declining trade union power."

Taylor himself points out that instances in which the trade union is the single channel of representation are not compatible with support for universal civil rights for UK workers on a Continental model. But it is not clear that the British trade union movement has yet accepted this.

Employers' second concern is that many union leaders seem still to believe the interests of employers and employees are mutually exclusive. Taylor's own writing provides two vivid examples.

He contrasts British employers' "commitment to deregulated labour markets" with the attitude "of their European mainland counterparts who have a sense of social and ethi*cal responsibility* for the well-being of their employees". Such generalisation is absurd and offensive. He argues, similarly, the decline of trade union-based collective bargaining means employers have no "need to behave in a civilised manner towards their workers". This ignores the point that well-treated, involved employees will show greater commitment to a business and be more productive.

There are unscrupulous employers against whom individual employees need protection. But most companies do not see their relationship with employees as a zero-sum game. They are keen to develop participation, and surveys show they are, overall, succeeding.

Employers are, today, not in principle hostile to unions. There is no evidence that they have forced the pace of union decline through derecognition. Indeed in tha private sector union membership has fallen far faster than recognition.

And very few employers now say they have been unable to achieve restructuring because of union obstructionism.

But bad memories die hard, and have been reawakened by tha behaviour of RMT, tha transport union, in the rail dispute. (RMT is not mentioned by Taylor.) So employers will be reluctant to support a more prominent role in policy-making for trade unions, or Continental-style legislation, until more union leaders are ready to accept the consequences.

That means greater identification with an enterprise's success and acceptance of non-union channels. Some in the union movement, notably the TUC leadership, understand the implications of those choices. But this book shows there are many Flintstones still on the general council.

Howard Davies

The author is director general of the Confederation of British Industry.

Paul Abrahams on why drugs companies have their eyes on the market for non-prescription medicines

Pepped up for the counter-attack

World drugs groups are scrambling for position in the market for drugs that can be sold without a doctor's prescription. This week's \$2.9bn acquisition by UK-based SmithKline Beecham of the retail healthcare business of US pharmaceutical group Sterling Winthrop was the largest, but not the first in a series of deals by groups jockeying for position in the "over-the-counter" market.

But in spite of their fashionability, non-prescription pills are unlikely to prove a panacea for drugs companies troubled by slowing sales growth that has resulted from government attempts to curh healthcare costs. While some may generate long-term profits, the high costs of launching and marketing products in a competitive sector means many may fail to make decent returns.

For now, the over-the-counter market appears deceptively attractive. SmithKline Beecham estimates world sales in the market last year rose by 7.1 per cent to \$32.5bn. IMS International, the London market research company, forecasts the US market should increase from \$17.4bn last year to \$24.2bn by 1997.

For drugs companies, the non-prescription market offers an opportunity for growth when other areas of their businesses are under pressure. The prescription medicines sector expanded by only 4 per cent in 1993, says IMS.

But it is not just the lacklustre performance of other sectors which is fuelling interest in the over-the-counter market. "The basic driving force is the need of governments to rein back healthcare spending," explains Mr Chris Waighell, strategic planning manager of IMS International. "In many cases, particularly in Europe, health ministries are refusing to reimburse the cost of drugs, forcing patients to pay for the medicines themselves over the counter," he says.

The pharmaceuticals companies are also keen to sell formerly prescription-only medicines over the counter because it allows them to extend the product-life of their drugs. This has become increasingly important for the drugs groups because patents on half of the 50 top-selling US medicines will expire in the next four years. Broker Goldman Sachs estimates that this year alone 17 drugs with combined US annual sales of \$2.8bn will lose patent protection.

That would be serious in any circumstances – in the past drugs companies assumed that they would lose 50 per cent of revenues within two years from drugs whose patents have expired – but the impact now is greater. Producers of identical, non-patented "generic" drugs are entering markets earlier once patents expire. The result is a fall in prices: the price of generic versions of Naprosyn, made by US drugs company Syntex, fell by 95 per cent after its patents expired in January. Some drugs companies have even launched generic versions of their own drugs before patent expiry.

To combat such pressures, companies selling patented drugs are trying harder to market them as over-the-counter products in the run-np to patent expiry. "If they can create a strong brand, the product can generate revenues for decades," says Mr Peter Glynn-Jones, managing director of strategic development at SmithKline Beecham consumer healthcare.

The pharmaceuticals groups manufacturing prescription-only drugs, have an advantage in the over-the-counter medicines market: "Critical to the success of over-the-counter medicine is its prescription-only heritage," says Mr John Walsh, president of US group Warner-Lambert's consumer products division. "Ten of the top 11 over-the-counter products in the US were previously prescription-only medicines."

Among the medicines whose patents expire soon and could, assuming regulatory approval is granted, be sold without a prescription are some of the world's top-selling drugs. They include: anti-ulcer drug Zantac, Glaxo's best selling medicine, and Zovirax, Wellcome's herpes treatment and the world's fifth largest selling drug.

The sales potential of such drugs is, in theory, huge: sales of prescription products have been known to increase more than five-fold. Take Gyne-Lotrimin, a virtually unknown prescription anti-fungal medicine for vaginal infections marketed by US company Schering-Plough. Prescription sales in 1990 were worth only \$22m. A year later, after being launched as an over-the-counter product, sales reached \$120m.

But in spite of the rapid projected growth for the over-the-counter market, many drugs group which want to enter the over-the-counter market do not have the expertise, international distribution network, or size to succeed. "The pharmaceutical groups are good at discovery, development and marketing to doctors. That expertise does not carry over well to over-the-counter," says Mr Walsh at Warner-Lambert.

"Ten of the top 11 over-the-counter medicines in the US used to be prescription-only'

"Scale is vital. In order to earn a good return on your investment yon have to have a good range of products to reach the shelves of the pharmacist or supermarket. You also need size to achieve the purchasing power to swing good deals in consumer advertising," says Mr James Dudley, managing director of consultancy James Dudley International. SmithKline Beecham bought Sterling Winthrop's business partly because of the latter's expertise in selling over-the-counter drugs such as Panadol, the world'a best-selling painkiller after aspirin.

Many large groups which hava drugs they want to become over-the-counter products but which have little presence in the non-prescription market, have admitted their weakness and set up alliances with companies strong in consumer marketing. Glaxo and Wellcome have forged separate pacts with Warner-Lambert. Merck has teamed up with Johnson & Johnson, the US consumer products group.

Yet such alliances will not guarantee sales success. Despite the growth of the total over-the-counter market, it is a tough environment. Unlike Schering-Plough's drug Gyne-Lotrimin, which was launched into a market with no established rivals, sales of many drugs may not exceed their pre-patent expiry prescription levels. Aleve, for example, Syntex's over-the-counter version of Naprosyn, is competing in the competitive market for analgesics (painkillers). Brokers Lehman Brothers expect it to generate sales in the US of no more than \$200m e year, compared with prescription sales of \$1bn last year.

Similarly, the market for indigestion treatments is likely to prove exacting, with four similar new over-the-counter products being launched over the next two years. Lehman Brothers predict US non-prescription sales of SmithKline Beecham'e Tagamet will reach only \$150m by 1998. That compares with pre-patent expiry sales of \$650m last year.

Even if decent sales are achieved, profitability is far from immediate. The launch and marketing costs are so high that typically products do not break-even for at least three years, says Mr Glynn-Jones.

If profits are made, margins are likely to be less attractive than in the prescription business. Boots Healthcare International, the non-prescription business of Boots, the UK retailing and pharmaceuticals group, estimates a successful over-the-counter company can achieve margins of 15 per cent. In contrast, brokera James Capel reckon a well-run drugs group can achieve operating margins of 29.3 per cent.

Such sales and earnings projections, as well as the recent alliances and acquisitions, assume that prescription products will be cleared by regulatory authorities for sale over the counter – but at least in the US such clearance has proved far from automatic. The federal Food and Drug Administration advisory committees have refused to recommend, at least for the moment, SmithKline Beecham's Tagamet, Merck's Pepcid, Wellcome's Zovirax, and Upjohn's Rogaine. They have yet to be convinced the drugs would be safe and effective when sold over the counter.

In spite of relatively fast market growth, the road to profitable over tha counter sales is far from uncertain.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Ideas for UK healthcare imaginative

From Mr Malcolm Coles and Mr Peter Welch.

Sir, The government and the Labour party should respond more positively to the imaginative ideas of Mr Peter Griffiths, former deputy chief executive of the National Health Service, on the delivery of healthcare ("Bottomley in row on private healthcare", August 24). The role of government is to ensure that a "public" service such as healthcare is available to all, but not necessarily to supply it via a pnhlic sector monopoly.

The delivery of public services should meet three criteria. First, the services should be provided efficiently. Second, users should have e choice of providers. Third, service providers should be accountable to their users.

In a simple tax-funded system, however, the supply of services is not sufficiently driven by the choice of users, let alone accountable to them. Instead, government chooses what to supply, and the signals which a market automatically generates are missing. Furthermore, the efficiency of the provider is difficult to measure. Attention is focused on how much government spends rather than what the government gets for its money.

The separation of purchaser and provider allows competition among providers and permits greater measurement of efficiency. However, even in an "internal market", such as the NHS operates, the provider is accountable to its paymaster not to its user. It is disappointing that the secretary of state is quoted as saying that trusts should be accountable to her, not to patients and the local community.

Plans for the future delivery of "public" services should correct the imbalance between purchaser and user, and create structures which are market-driven *and* socially based. In a recent pamphlet for the Fabian Society, we put forward ideas for restructuring NHS Trusts, along similar lines to those of Mr Griffiths. We proposed applying mutual principles to the delivery of healthcare. Government should guarantee, and subsidise, the right to membership of a mutually structured healthcare provider. The actual choice of provider would be left, so far as possible, with the user. Contrary to perception, most "private" healthcare is already provided by mutual suppliers.

Thinking on the delivery of "public" services needs to be more radical. Mr Griffiths' contribution to the debate should be welcomed.

Malcolm Coles,
Peter Welch,
Malcolm Hurlston Corporate Consultancy,
2 Ridgmount Street,
London WC1E 7AA

Fair access key to financial markets

From Mr Kenneth Whipple.

Sir, Frances Williams missed e critical point in the article, "Unfinished Business in Uruguay Round" (August 16). She characterised ongoing negotiations on financial services as "... in essence a bilateral argument between the US and Japan ..." From the US financial community's perspective, this is incorrect.

While it is true that some segments of the US financial service sector still face market access and national treatment issues in Japan, many of the significant problems confronting US financial services providers are in the developing markets of Asia. Simply stated, US financial markets remain wide open to entry by foreign financial firms. On the other hand, US financial firms face barriers limiting their ability to penetrate markets abroad. In many promising markets, they are prohibited from establishing or expanding operations. Other problems run the spectrum from denial of access to local debt markets to discriminatory or unpublished licensing procedures.

Singling out Japan misses the point of the financial services negotiations – a successful financial services agreement must achieve substantial liberalisation across a wide range of commercially important countries. At the conclusion of the round in 1993, virtually no meaningful commitments had been made. Acceptance of offers on the table would have locked US financial markets permanently open while foreign markets would have remained closed.

CSI Financial Services, a private sector coalition of US financial firms and associations, remains committed to the position it has taken throughout the negotiations – open access to all financial markets sets the foundation for increased economic growth and job creation. That was the goal of the Uruguay Round, and continues to be the goal of the services negotiations.

Kenneth Whipple,
chairman,
CSI Financial Services Group,
818 Connecticut Avenue, NW
Washington DC 20006, US

Not yet last of a line

From Mrs Florence Gilkes.

Sir, I would question tha statement in your news item "End of the line" (August 27) about the last button A and B pay phone being in the Shetland Isles.

During a sailing holiday to the Small Isles in the Inner Hebrides my husband and I visited the island of Soay off the south coast of Skye. There, on August 1 1994, we saw a telephone box with buttons A and B and powered by solar panels. I suspect it is still there.

Florence Gilkes,
Creran Cottage,
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Allegations against Body Shop lack any real evidence

From Mr Robin Bines and others.

Sir, As environmentalists with knowledge of both the Body Shop and the ethical sector, we wish to ask whey it appears that the FT, along with the rest of the media, is singling out the company and its credentials for attack; and largely on the basis of what seem to us to be both unproven allegations and facts blown out of all proportion.

There can surely be few people who really doubt that the Body Shop is one of the leading companies in the field of social, ethical and environmental policy. While there may be companies which will go to greater pains in one particular sector of business, you would be hard pushed indeed to find another company which goes as far in almost every aspect of its business. Which other company even *thought* of building a wind farm to cover its energy needs in the UK?

Of course the Body Shop is not perfect. It has its share of disputes with franchisees, minor spills and business misadventures. It is, however, a good example of a successful yet caring company with priorities way beyond the usual profit motive, and in a world where business ethics are all too often sadly lacking. Yet your critical articles would suggest sizeable problems.

So what purpose do these reports serve in a respectable paper like the FT? Are they an attempt to engender debate about some of the serious issues facing business today? Or do they merely perpetuate the cynicism so often aimed at anyone who tries to inject a real sensa of purpose into almost any field, be it politics, business or the arts?

If there are genuine grounds for complaint, let us hear real evidence. If not, try attacking companies which have yet even to consider a social, ethical or environmental policy, let alone implement it.

We desperately need to encourage businesses, consumers and green investors to develop the kind of ideas thet the Body Shop espouses, and to put them into practice. Articles like those in your pages over the last few days can only make them all wonder whether it is really worth the effort.

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FINANCIAL TIMES

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The prize in Ulster

It is still not clear that the ceasefire announced yesterday by the Irish Republican Army is permanent, a necessary condition for political talks involving Sinn Féin, the IRA's political wing. But the substance of the announcement seems unambiguous. There is a widely-held feeling on all sides in Northern Ireland that a new phase has begun, a turning away from the violence that has brought misery to nationalists and unionists alike.

That alone is cause for rejoicing. There are few parallels that can be drawn between Ulster and long-running conflicts in South Africa and the Middle East. But events in these other places show that, when all sides are committed to finding a solution, there is a momentum in the peace process that sweeps away many of the real or imagined obstacles.

That this point appears to have been reached in Northern Ireland is a tribute to effective co-operation between the UK and Irish governments. Mr John Major deserves credit for placing a solution in Ulster on his list of priorities. He has made clear that Britain has no strategic interest in Northern Ireland apart from protecting the right of its people to determine their future. He has also taken risks, most notably in conducting secret exchanges with Sinn Féin leaders. Those risks appear to have paid off, thanks to his cool determination under fire.

Mr Albert Reynolds, the Irish Taoiseach, has also been prepared to take risks. In last December's Downing Street Declaration, he acknowledged the right of the people of Northern Ireland to remain in the UK unless they decided otherwise. He also undertook to amend the claims in the Irish constitution to the north – essential in reassuring unionists.

The peace process will not be smooth. There will be those among both the republican and the "loyalist" communities who will try to disrupt it. There may be a breakaway from the IRA, with diehards seeking to continue the violence. The process will have to survive whatever "spectaculars" are thrown up at a time when trust may still be in short supply.

There is also the fear of betrayal among the unionist majority that must be constantly and convincingly assuaged. It was their opposition that derailed two previous attempts at constitutional settlements involving the Irish Republic. The main Unionist party, led by Mr James Molyneaux, has sensibly accepted the assurances of the Downing Street Declaration on Northern Ireland's right to self-determination. But the Reverend Ian Paisley's Democratic Unionists seem to be flirting with the idea that any peace must involve unacceptable concessions to Dublin.

Now, therefore, is not a time for complacency but for renewed efforts to maintain the momentum. Mr John Hume, leader of the moderate nationalists, advises throwing away the formal timetable for bringing Sinn Féin to the conferenca table. This advice should be politely turned down. The quarantine period of three months after a permanent ceasefire is the least that will be acceptable to the unionists.

But there is scope to provide immediate benefits to all the people of Northern Ireland that will carry forward the peace process. One priority must be to scale down the military presence to the minimum level compatible with protecting all sections from maverick terrorists. Another is to lift the absurd ban on broadcasting the voices of Sinn Féin members which has done so much harm to the UK's reputstion abroad. A peace process involves a dialogue, and a dialogue is impossible if one side cannot be heard.

Finally, amendments to articles 2 and 3 of the Irish constitution to remove the unqualified claims to the north are promised as part of a final settlement. Bringing forward the changes would bolster unionist confidence. The ceasefire demands further risks on all sides to win the bigger prize of lasting peace in Ireland.

German prospect

Germany is recovering from recession. But what sort of growth will it manage in the medium term? That is the question raised by this year's excellent survey from the OECD. It is an important question, not just for Germany, which needs rapid growth to cope with the burden of unification, but for Europe.

East Germany is – and will remain – a buge burden, despite GDP growth of 7.1 per cent last year and an OECD forecast of another 9.1 per cent in 1994. This growth has only been made possible by net transfers of DM130bn (£54bn), 4.6 per cent of west German GDP, last year. These transfers, which amounted to 47 per cent of east German GDP, have made it possible for exports from the new Länder to be less than a fifth of their imports. The need for transfers, which this ratio reveals so starkly, is unlikely to change in the near future.

At least the fiscal damage has been contained. The general government deficit as a share of GDP is expected to be brought down to 2.9 per cent this year. Even the overall public sector borrowing requirement is forecast at 4.6 per cent, not unreasonable in the circumstances. While the ratio of public debt to GDP will breach the Maastricht treaty guideline of 60 per cent in 1995, the OECD argues that further increases can be halted by a "combination of sustained medium-term growth and active programmes of fiscal consolidation". But, inevitably, a price has been paid. Germany's effective tax rate is higher than that of any leading industrialised country, except France.

For all its strengths, the economy may not be able to bear this burden that well. The growth of total factor productivity has slowed markedly since the 1960s; unemployment has risen cycle-by-cycle; in the 1980s, productivity in manufacturing grew at less than half the rate of the European Union as a whole; the shares of German exports in markets outside the EU have declined markedly since 1973; and wage costs seem out of line with productivity, by comparison with the US and Japan.

The German economy is, in short, showing signs of senescence. It needs to be revitalised, for its own sake and for that of the European economy as a whole. A combination of tough control over spending, lower taxation and structural reforms – privatisation and deregulation – is urgently needed. The OECD report abows the wey. Will Germany dare to follow?

Russia withdraws

Yesterday's ceremonies, marking the final withdrawal of Russian troops from Germany and the Baltic states, celebrated the peaceful liberation of central Europe from the Red Army and drew a line under the second world war. History has, once again, given Russia and Germany the chief responsibility for the peace, prosperity and freedom of central Europe.

Fortunately, the Germany that has emerged from two world wars and the Cold War is a stable, democratic country firmly anchored in Nato and the European Union. Meanwhile, Russia seems committed to re-integrating itself into the world economy and repairing the damage caused by 75 years of self-imposed tyranny. The litmus tests of these countries' future behaviour will be Moscow's continued willingness to honour the independence of the Baltic states and united Germany's toleration of post-war frontiers that leave most of former Pomerania and Prussia in Polish hands.

Russia and Germany have much to gain from growing economic prosperity and self-confidence in the central European and Baltic states which, all too often in the past, have been crushed by the machinations of their neighbours acting in concert. But the greatest gainer from the decline in the power and influence of the Red Army could be Russia itself.

Under communist rule the Soviet Union became the most militarised society on earth. The health and wealth of Soviet citizens were sacrificed in the vain effort to wear down the west. Now, at last, Russians and citizens of other former Soviet states have an opportunity to use their talents and resources to repair the environmental, economic, social, physical and psychological scars left by the ill-conceived communist experiment.

Nostalgia for the imperial past is misplaced. The decks have been cleared for Russia to concentrate on its own affairs. So far as its security is concerned, the main tasks are to keep its nuclear weapons under watchful control and to replace the sprawling conscript army of the past with a smaller, better equipped and trained professional force.

The main challenge, however, is to build an economy responsive to consumers, whose needs were neglected for decades. The old economy produced world-class rockets but terrible shoes. Russia's military withdrawal from Europe should free up the men and resources needed to shift the balance at last towards a productive civilian economy.

The family firm fights back

In the first of a series, **Hugh Carnegy** and **Christopher Brown-Humes** explore the strengths of Sweden's Wallenberg dynasty

For Sweden's phalanx of big international companies, the recession is emphatically over.

In contrast to the atmosphere of crisis over the financial deficit in the country's public sector, companies such as Volvo, Electrolux, Ericsson and Saab-Scania have over the past two weeks reported a gush of half-year profits after three of the toughest years Swedish industry has endured since the 1930s.

As industry pulls out of recession, one striking feature has become clear. In spite of dire predictions to the contrary from the markets, the industrial dominion controlled by the Wallenberg family has not only survived. Mr Peter Wallenberg, doyen of its fourth generation, has extended its dominance of Swedish industry to unprecedented levels and entrenched the family as Europe's most powerful industrial dynasty.

The core companies in the Wallenberg "sphere" (the family, which rarely has majority control of a company, prefers to call it an association of companies rather than an empire) had a combined annual turnover last year approaching SKr550bn (£46.6bn). Together, these companies make up about 40 per cent of the market capitalisation of the Stockholm stock exchange.

How have the Wallenbergs so strengthened their position? And as theyapproach a handover from one generation to the next – with Peter Wallenberg now 68 and his son Jacob and nephew Marcus being groomed to succeed him – can they maintain their pre-eminence?

Between 1990 and 1993, the chief question was whether the empire could hold together under the pressure of recession.

Mr Peter Wallenberg, who has the world-weary look of an old campaigner, admits it was a rough period. "All in all, it put the organisation to a very tough test," he said in an interview with the FT.

As recently as in early 1993, the outlcok was still grim. Investor, the holding company chaired by Peter Wallenberg which groups most of the main family shareholdings, remained burdened with debt of more than $1bn. Core companies such as Stora, Europe's largest forestry group, and SKF, the company which invented ball-bearings, had reported losses in 1992 of SKr1.42bn and SKr1.77bn respectively.

Saab-Scania, the vehicle and airplane maker bought out by Investor in 1991 as an anticipated source of cash flow, had seen profits slump, as had other stalwarts such as Electrolux, the world's leading household equipment maker. Skandinaviska Enskilda Banken, historically the family's financial flagship, founded in 1856, was almost swamped by bad loans that sank it deep into operating losses of SKr5.4bn in 1992.

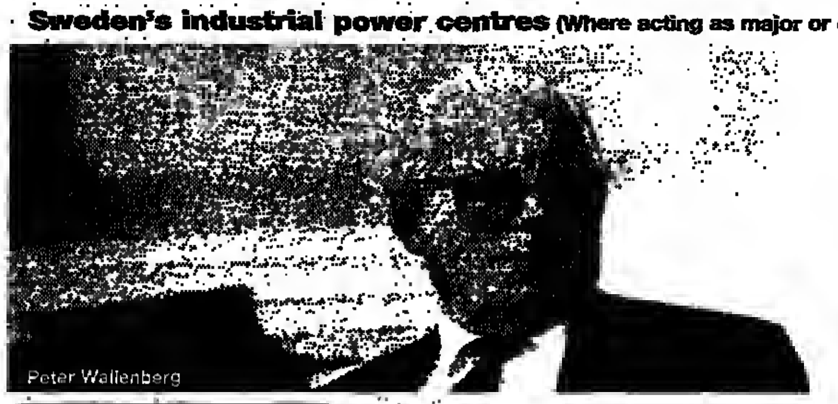
Sceptics saw cracks in the Wallenberg edifice. Speculation was rife that a pattern of marginal disposals and portfolio reshuffles would fail to satisfy the empire's capital needs. A strategic disposal was keenly anticipated by the markets.

The subsequent transformation owed something to the change in Sweden's economic fortunes following the 25 per cent devaluation of the Swedish krona after its flotation in November 1992. But the Wallenberg companies helped by cracking down on costs, slashing as much as 20 per cent of their workforces. By the end of last year, the crisis was over with most of the companies back on a healthy profits path.

The balance sheet of Investor, the key holding company, has been transformed. Piecemeal selling of shares in a number of companies rather than the disposal of a single large stake drove down debt from SKr8.4bn at the end of 1992 to SKr4.8bn a year later. This year the group has bolstered its position further with a SKr3.45bn bid for its Export-Invest stablemate, essentially a giant share issue.

Further strengthening is likely as dividend flows into the group's coffers pick up. Bo Berggren, Investor vice-chairman and a Wallenberg lieutenant, considers "the Investor balance sheet today is probably as strong as it has ever been."

Sweden's industrial power centres (Where acting as major or controlling shareholder)



Peter Wallenberg

Wallenberg family

Total assets (SKrbn)	
S E Banken	418

Net worth (SKrbn)	
Investor	38

1993 turnover (SKrbn)	
Asea-ABB*	210
Astra	23
Atlas Copco	19
Electrolux	100
Ericsson**	63
Gambro	9
Incentive	12
Saab-Scania	28
SKF	29
Stora	50
Total	543

State

Total assets (SKrbn)	
Nordbanken	391

1993 turnover (SKrbn)	
ASG	8
Assi Doman	15
Celsius	12
LKAB	4
Pharmacia	27
Telia	35
Vattenfall	24
Retriva / Securum***	10
Total	135

Volvo

1993 turnover (SKrbn)	
Volvo	107
BCP	22
Total	129

Svenska Handelsbanken

Total assets (SKrbn)	
Handelsbanken	444

1993 turnover (SKrbn)	
AGA	11
Ericsson**	63
Frigoscandia	5
SCA	33
Total	112

* Asea is half-owner of Asea Brown Boveri
** Ericsson is jointly controlled by Investor & Handelsbanken
*** Retriva & Securum administer assets taken out of Nordbanken & Gotabank

Source: Company reports

It was not just market conditions and restructuring that helped the family pull through. The family was able to exploit Swedish 'dual-share' rules to raise money from disposals without any loss of control in the target company.

Swedish rules allow equity to be split between A and B shares with voting power heavily weighted to the former. This system has long enabled the Wallenbergs to control companies often with very little capital commitment.

Much the most significant factor in underscoring the dominance of the Wallenberg family occurred, however, at Volvo where for 20 years, Mr Pehr Gyllenhammar had striven to create a industrial empire to rival the Wallenbergs.

Mr Gyllenhammar was deposed in December 1993 by a shareholder and management revolt against his plan to merge Volvo car and trucks with France's Renault. His strategy was then quickly abandoned by Volvo's new board, chaired by Bert-Olof Svanholm of ABB and including Björn Svedberg of S-E Banken, both from the Wallenberg "sphere". Instead, Volvo decided to sell off SKr40bn of non-core investments.

The Wallenbergs, back on the offensive after the recession, moved swiftly. Within a week of Volvo announcing its strategic U-turn in the spring, Incentive bought out Volvo's controlling shareholding in Cardo, an investment group which included Gambro, a medical equipment supplier that matched the Wallenbergs' evolving focus on technology-based growth industries for future investment.

"The Wallenbergs manoeuvred marvellously over Volvo after the Renault deal collapsed," says the chief executive of one of Sweden's top non-Wallenberg companies. "They got Volvo where they wanted it without paying a penny and now they are carving it up."

Mr Peter Wallenberg rejects any suggestion that be deliberately sought to exploit the Gyllenhammar debacle. Bnt it is unarguable that events since have enhanced the Wallenberg dominance.

A principal strength of the Wallenbergs has been their record in choosing skilled managers, who in turn have benefitted from having dedicated owners who understand international markets and invest for the long term.

'The Wallenbergs got Volvo where they wanted it without paying a penny and now they are carving it up'

Another factor that is often underestimated is the determination of Peter Wallenberg himself, who succeeded his formidable father Marcus in 1982 despite the latter's dim view of his ability to become a leader with "ice in his belly". Mr Wallenberg still talks bitterly of the way he was written off in his early days in charge, when now-forgotten 1980s whizz-kids were circling his vulnerable empire.

"I am surprised when people say 'this is the beginning of the end'," he says. "Do you think we are just sitting here looking at things going wrong?" He clearly feels his job is still not complete. Asked what challenges remain, he says: "To prove that we are not as vulnerable as some people seem to believe. I think that is very important."

The first task now may well be to conduct some internal reorganisation. The group's structure, concentrated round Investor and Incentive, an industrial operating group, looks cumbersome. For example, profits from Asea Brown Boveri, the Swiss-Swedish engineering giant half-owned by Asea, must first swill through Asea and Incentive before they reach Investor.

Saab-Scania, which is 100 per cent owned by Investor, may also be re-shaped. Few would be surprised if the company was either re-listed or if some of its defence and vehicle operations ended up in joint venture partnerships mirrored on the collaboration with General Motors at Saab Automobile.

But there are other challenges on the borizon which will test the next generation – Jacob and Marcus, working respectively in senior posts in S-E Banken and Investor.

Most obvious, perhaps, is the financial markets' perception that the Wallenberg portfolio of companies is over-dependent on low-growth cyclical industries.

Even under the dual-share structure, which acts as a built-in defence against an outside takeover, the empire could yet prove vulnerable to foreign predators – especially given the deregulation of the Swedish share market in recent years.

To counter any impression of vulnerability, the Wallenbergs stress they are again on the offensive, looking for opportunities in growth industries and casting their gaze more outside Sweden.

Senior family members talk of an "evolution" in the sphere in which their traditional willingness to take a long-term view is preserved. But there are signs that financial deregulation is putting pressure on the companies to concentrate more on maximising investors' short-term returns.

One dramatic step has already been taken, in Incentive's $1bn bid in May to gain control of Gambro, the medical equipment specialist. Incentive then sold its controlling share in Esab, the world's biggest welding equipment supplier, to Charter of the UK. The swap tilted Incentive decisively away from a traditional cyclical industry to a fast-growing technology sector. The trend will continue, says Mikael Lilius, Incentive's chief executive.

The Wallenbergs have also in recent months talked of looking abroad for new investments as part of the evolution. Sweden is chronically short of "growth" companies, and the family is also conscious of the political sensitivities that attach to their dominance of the corporate sector. Peter Wallenberg says: "This is a rather small country and industrially we represent a rather sizeable share. I think we must be observant of the world around us."

Investor has said it envisages building up its foreign portfolio to 10 per cent of the group's total investments. A start was made through the Export-Invest takeover, which brought Investor holdings in Roche, the Swiss pharmaceuticals group, and Alcatel Alsthom of France. The group is also paying closer attention to South-East Asia and the Far East in its trawl for investment opportunities.

This is bound to intensify questions about the underlying industrial logic of the Wallenberg sphere. The loose-knit nature of the empire makes the individual companies stronger, family members insist. "I don't even know whether Saab or Scania is buying SKF ball-bearings for their cars and trucks," says Peter Wallenberg. "The basic situation between these industries is arms' length. No deals or favours for one another."

Outsiders conclude that the driving force of the empire is more the family's determination to keep control than about creating value. "The thing they care most about is protecting their heritage," says one Swedish corporate financier.

The Investor investment record suggests there is something to this view. Its share portfolio has done better than the Stockholm stock exchange in six of the last 10 years and its annual total yield (defined as dividends plus share price appreciation) has averaged 17.2 per cent, compared with 15.0 per cent for the stock exchange. But the outperformance is entirely due to Astra, the high-flying pharmaceuticals group.

Elsewhere, the Wallenbergs have often been prepared to pay a high price to retain control, as when Investor paid a hefty premium to buy out Sven Olof Jahansson, a financier who had built up a 22 per cent stake in Saab-Scania and demanded a seat on the board.

There are also doubts as to whether they are prepared to take the hard-headed decisions needed to re-shape the empire significantly away from its dependence on low-growth industries. The empire did sell its entire stake in packaging company Alfa Laval to rival Tetra Pak in 1991. But as one ex-Wallenberg director says: "You can't see Peter Wallenberg selling out of Atlas Copco [the engineering group] where he worked for 25 years."

With an average of 25 per cent of the capital of Wallenberg companies now in foreign hands, the empire is far more susceptible to this kind of assessment than in the past. The perception that a company is not delivering maximum returns could lead to greater share price volatility – perhaps even takeover bids, although they face the barrier of the weighted share structure. The tension between such pressures and the Wallenberg's traditional style is among the many challenges facing Jacob and Marcus Wallenberg as they prepare for the day when Peter steps down.

A second article will be published tomorrow.

OBSERVER

Coups I have known

■ At last Italians know whom to thank for saving their country from a bloody coup d'état. Why, Umberto Bossi of course, founder of the populist Northern League. Not that anyone actually knew of a threat of armed rebellion until the loquacious Bossi spilled the beans to some hacks on Monday.

Back in 1987, 300,000 warlike League supporters were poised to stream down from the valleys around Bergamo, a hitherto peaceful northern Italian town, and march on Rome. Their intent? To depose Socialist prime minister Bettino Craxi. Only the intervention of Bossi The Wise, preaching the wisdom of democratic opposition as the best tactic for unseating a corrupt old political regime, saved the day. *Ecco*, seven years later, Craxi is in exile in Tunisia, and the League is in government.

Just a slight snag with this heartwarming tale. That year, the League polled fewer than 28,000 votes in the Bergamo area. Indeed, excluding old people and children, there were only 667,000 potential warriors living in the entire province. So how come this fearsome revolt passed unnoticed by either the local authorities or the *bergamaschi* themselves?

Yesterday Bossi was furiously denying he had said anything of the sort. But it had been too good a story to miss and Bossi still graced the front page of almost every Italian newspaper, while the Bergamo magistrates duly opened a file on local armed uprisings of the late 1980s.

Wakey-wakey

■ No sign of Des Wilson going gently into that good night. The veteran lobbyist is kissing farewell to PR giant Burson-Marsteller by launching one last campaign – to bring the UK into line with European clock-watching.

Wilson is taking over as chief spin-doctor at BAA, owners of Heathrow airport et al, where, no doubt, he will be doing a lot of jet-setting. Is the daylight campaign thus no more than a clever ruse to ensure he doesn't have to get up at unearthly hours in order to make continental morning meetings?

Tiny matter

■ Getting rid of Tiny Rowland may be easier said than done. It's one thing stripping him of his executive duties, but it may be quite another persuading him to vacate his office.

Dieter Bock, the German financier determined to sack his joint chief executive, was recently aghast to find Paul Spicer still firmly installed at the Lonrho's Cheapside headquarters. The former Lonrho deputy chairman was supposed to have retired early this year. But apart from having procured himself a new desk, Spicer was acting as if nothing had changed. Quite how Bock had overlooked Spicer's continuing presence for so long remains a bit of a mystery, but, now alert to the problem, he has apparently vowed he will make future personnel changes stick. We shall see.

'The place is full of Railtrack managers'

Chickens feed

■ The UK prime minister, John Major, will soon be getting an extra £70 a week (before tax), thanks to the 4.7 per cent pay rise British MPs recently awarded themselves, taking the prime minister from £78,292 to £81,971.

Pretty paltry. His co-celebrant in yesterday's historic Ulster developments, Irish prime minister Albert Reynolds, is getting a 16.9 per cent increase – from IR£82,020 to IR£95,920. Irish President Mary Robinson's salary will rise by 10 per cent to IR£105,512, while ministers and judges will have to get by with an increase of 17.1 per cent.

Not bad. Mind you, ordinary TDs (Irish MPs), will have to make do with just 3.8 per cent more, taking their annual whack to IR£32,700. Hardly enough to stand a round in Dublin these days . . .

Jobsworthy

■ Jimmy Lai, the Hong Kong businessman who was recently forced to relinquish his position at the helm of retailer Giordano – following a scathing attack on Li Peng, the Chinese premier – is entering the world of newspapers.

Lai, who already owns Next, the successful weekly where he lambasted Li and China's communist party, is planning to launch a new Hong Kong daily by next spring. Rumour has it that he will call it either Apple or *Pingguo*, which is Chinese for apple.

Apple, Next . . . sounds familiar. Steve Jobs founded Apple and, after being forced out, went on to found Next. Lai, an aficionado of philosopher Karl Popper's *The Open Society and its Enemies*, is also a fan of Jobs.

Why not save himself the trouble of thinking up titles for the new paper and just call it Jobs for the Boys?

Vasco da gaffa

■ Premier Li may be forgiven for thinking that the local press has it in for him. In the Portuguese colony of Macao, hacks have just landed an uncomfortable exclusive, c/o the office of General Vasco Rocha Vieira, the governor.

His officials have compiled a profile of Li, describing him as arrogant and incompetent. Of course, it was intended for the general only. But yon can't keep a grubby hack down.

Very poor show, not least because the general is now on an eight-day official trip to China, where today he will meet Li. Even more poor show, Macao – a Portuguese colony since 1557 – is due to revert to Chinese rule in 1999.

Still, five years should be enough for the general to find himself another job.

Dr Fustian

■ This one comes via comedian Linda Smith, who has been going down a storm at the Edinburgh Festival. She describes herself as a dyslexic satanist: "I worship the drivel."

FINANCIAL TIMES
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Japan unveils Y100bn cultural project to atone for war record

By William Dawkins in Tokyo

Japan took a further significant step yesterday in its efforts to atone for second world war aggression with a pledge to spend Y100bn ($1.01bn) on historical research and cultural projects to promote peace in Asia.

"It is imperative for us Japanese to look squarely to our history with the peoples of neighbouring Asia and elsewhere," said Mr Tomiichi Murayama, the prime minister, who yesterday unveiled the 10-year programme, beginning next year, the 50th anniversary of the end of the war.

However, a foreign ministry official emphasised that the handont marked no change in the policy of refusing further official government compensation for individual war victims and their families. Japan argues that this was formally settled by the 1951 San Francisco peace treaty.

The new money is instead earmarked for the creation of a historical war document centre in Japan, vocational training centres for women in neighbouring Asian countries and youth exchange visits.

As a result, Mr Murayama's scheme is unlikely to defuse continuing claims from British and Dutch prisoners of war and Korean women forced into prostitution by invading Japanese troops.

These claims are irritants to Japan'a painstakingly slow attempt to raise its profile in international affairs and to bolster relations with increasingly valuable Asian neighbours. South-east Asia has formed Japan's largest export destination for the past three years and is its fastest growing investment location.

Three successive Japanese prime ministers over the past year have issued various statements of regret and apology in a campaign to normalise relations with Asia. Mr Murayama returned recently from a four-country Asian tour, largely devoted to trying to atone for the past.

The effect of Japan's official apologies has been spoiled by an outspoken lack of contrition from Japan's political right wing, including two cabinet ministers sacked over the past six months for trying to justify Japan's wartime actions. Undeterred, Mr Murayama yesterday repeated apologies to women forced into prostitution and reiterated "profound remorse" for suffering caused by Japan.

He also said the government aimed to settle "as soon as possibie" the plight of Koreans stranded in the Russian island of Sakhalin after the war and wages owed to Taiwanese soldiers in the Japanese army, two other constraints on Japan's relations with its Asian neighbours.

The government estimates that 43,000 Koreans, used for hard labour by Japanese forces, were left in Sakhalin when it reverted to Moscow's hands after the war. It faces 2.4m claims from Taiwanese for savings and unpaid wages worth Y600m at 1945 prices.

Kohl's smiles fail to hide Moscow-Berlin divisions

By Judy Dempsey in Berlin

German chancellor Helmut Kohl and Russian president Boris Yeltsin congratulated each other yesterday on the departure of Russian troops from Germany after a presence of five decades, but the lingering divide between the countries echoed in their speeches.

Despite the smiles Mr Kohl was determined to use the occasion to boost his re-election chances next month. He was elected in 1990 after convincing Russia it would not be threatened by German unification.

A shaky Mr Yeltsin frequently referred to the role of Russian troops in saving Germany from the "tyranny and terror" of Hitler and also to the 12m Russians who had died while ridding Europe of the Nazis.

Mr Kohl reminded the audience at the Schauspielhaus, east Berlin's beautifully restored concert hall, that it had, in fact, been "the pact between the dictators Hitler and Stalin that removed the last barrier to the war which the National Socialist tyranny unleashed shortly afterwards".

And he explained why he had opposed the Russians joining in next week's ceremony saying farewell to British, US and French troops from Berlin.

"Terrible harm was done to the Russian people by the Germans and in the name of the German people ... but we Germans were destined to live through the painful division of our country," he said.

"The blockade of Berlin, the totalitarian regime in the east of our country, the Wall and barbed wire were a heavy and lasting burden on our relations."

Mr Yeltsin tried another tack. He praised the Conference on Security and Co-operation (CSCE), a non-military organisation grouping western, eastern Europe and the former Soviet republics. This, he said was "the real forum for stability and security from Vancouver to Vladivostock".

Mr Kohl did not mention the CSCE. Instead, he said the "signed agreements between Russia and Nato on Partnership for Peace, and on co-operation with the European Union are essential building blocks for the European House."

German defence officials dutifully nodded in agreement, but the divide between the two leaders was by now painfully apparent.

CDU plan for EU reform

Continued from Page 1

Democrats (CDU) in the German Bundestag, and Mr Michael Gloss, his counterpart in the Bavaria-based Christian Social Union, the coalition partner.

Its presentation comes just two days after publication of an interview by Mr Edouard Balladur, the French prime minister, in which he spelt out a similar vision of a multi-speed Europe.

It is clear that the political leaders in both Paris and Bonn have decided that their ideas on the next phase of EU reform – the follow-up conference to the Maastricht treaty scheduled for 1996 – must now be brought into the open. That is in spite of the sensitivity of many of the issues involved, given the looming referendums on EU membership in Finland, Norway and Sweden.

However, the fact that both Mr Kohl's CDU and Mr Balladur are now giving their open blessing to the concept of a multi-speed Community may ironically make their vision of a "federal" Europe easier for British Euro-sceptics to swallow.

Mr John Major, the British prime minister, has already endorsed the idea in principle.

In his interview Mr Balladur said that enlargement to include the newly emerging democracies of central and eastern Europe would inevitably involve a degree of "diversification" in the structure of the EU, at least temporarily.

"For many years, no doubt, the European structure will involve a homogeneous central core, consisting essentially of France and Germany, obeying common rules in all areas of co-operation. Around it, will be countries ruled by differing laws, depending on whether they concern monetary matters, social affairs, defence, trade relatione, financial relations, or foreign policy," he said.

Italian coalition split reopens as Bossi attacks Berlusconi

By Andrew Hill in Milan

Mr Umberto Bossi, leader of Italy's populist Northern League, yesterday reopened a damaging split in the Italian government by accusing Mr Silvio Berlusconi, Italy's prime minister, of trying to cut the League out of the ruling coalition.

An agitated Mr Bossi, interviewed on television as be returned from boliday in Sardinia, also claimed that Mr Berlusconi had asked President Oscar Luigi Scalfaro for permission to hold new elections. This was dismissed by Mr Berlusconi. "I won't waste time denying nonsense," Mr Berlusconi was reported as saying. "I'll have to propose a tax on chatter."

Mr Bossi's comments demonstrate that three weeks' holiday has not healed the rift between the league leader and his coalition allies. "It's not possible to offload the league," Mr Bossi said, pointing out that his was tbe principal parliamentary party. "At this point perhaps we ought to give Berlusconi an abacus, if he goes on fooling himself that it's possible to throw out the league before we've passed an antitrust law or a new constitution," he added.

Mr Gianfranco Fini, leader of the third main coalition partner, the far-right National Alliance, said that Mr Bossi's behaviour was "puerile".

At the beginning of August, Mr Berlusconi and Mr Bossi beld all-night discussions to patch up their differences. The next day they appeared on Italian television together in an attempt to demonstrate to nervous financial markets and the Italian people that there were no hard feelings between them .

In the past three days, however, Mr Bossi has been incensed by reports that he claimed to have prevented an armed rebellion by league supporters in 1986-87. Mr Bossi has blamed "anti-democratic" reporters for exaggerating and distorting his comments, and has threatened legal action against television and newspapers for apreading "disinformation".

Mr Bossi's intervention is ill-timed, given that financial markets are just recovering their poise following last month's rise in Italian interest rates.

THE LEX COLUMN

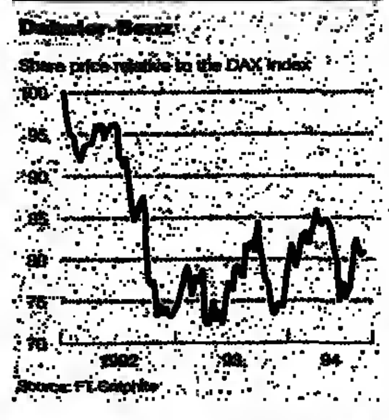
Daimler revs up

Daimler-Benz has huge potential. This is not because the German behemoth has performed well in recent years but precisely because it has not. It has suffered from high engineering costs, over-staffing and a confusing mix of businesses. This means there is massive scope to turn ite operations around.

The good news from Daimler's first-half figures is that the first fruits of restructuring are reaching the bottom line. There is more to come. It is not simply a matter of shedding jobs and shifting production to lower-cost locations. Daimler also needs to focus on those businesses where it can achieve global scale. Mercedes already fits the bill. Most of its AEG division, with the exception of rail systems, probably never can. Dasa, the aerospace arm, is somewhere in between. For it to be a successful global competitor, rationalisation of the European defence and aerospace industries is necessary. In a few years, Daimler could turn itself into a streamlined motor, aircraft and train manufacturer – after which one could re-examine whether it makes sense for the three divisions to be yoked together.

The big risk for investors is that management could become complacent. With demand picking up, the company may think the pressure to perform is off. Yesterday's comments by the outgoing chairman, Mr Edzard Reuter, that this year's profits would be "thoroughly satisfactory" could cause some concern. The net profit margins of 1 per cent forecast by analysts are measly. Mr Jurgen Schrempp, the next chairman, should be aiming much higher.

FT-SE Index: 3251.3 (+1.7)



Broadgate

The tussle over the future of London's prestigious Broadgate development is starting to resemble an elaborate game of poker. In addition to Rosehaugh and Stanhope, joint owners of Broadgate Properties, at least three sets of anxious bankers and an unknown number of potential buyers are involved. British Land, the most aggressive of the bidders, has already strengthened its hand by buying a 29.9 per cent stake in Stanhope itself. Talk of Stanhope's debt changing hands in the secondary market raises the suspicion that it, or another bidder, is trying to apply additional pressure.

Whatever the truth on that score, it is the attitude of lenders rather than shareholders that will determine the final outcome. With the property market moving in their favour, Rosehaugh's receivers and bankers have said that they are in no mood to sell their share of Broadgate for less than a full price. Since Stanhope is under pressure to restructure its £160m ($248m) debt by the end of the year, though, the question is whether its syndicate of 15 banks is prepared to take an equally optimistic view.

The £1.5bn target valuation of Broadgate by Stanhope's surveyors must encourage them to do so. If the heady assumptions about rental growth prove to be correct it would make sense for Stanhope to retain an equity interest in Broadgate rather than selling at the first opportunity. After the disappointments of recent years, though, the bankers must be inclined to treat such forecasts with suspicion. The bldders must decide whether to call their bluff.

UK construction

Persimmon's comments on August house sales provided some cheer for its shares yesterday, but they still ended 20p below the rights issue price in March. Since then hopes of a sustained recovery in the housing market have been dashed. The sharp rise in the cost of fixed-rate mortgages and talk of the need for higher short-term rates stopped the improvement in its tracks in June and July. Persimmon's report of a pick-up in August confirms comments from other housebuilders but even these tentative signs have not been mirrored in the overall housing transaction figures.

While housebuilders with the right products are having little trouble making sales the problem with the second-hand market is the dearth of decent supply. This in turn seems to be driven by the lack of house price inflation which has removed any sense of urgency from the market. The low level of house moves partly explains the depressed repair, maintenance and improvement activity which was highlighted by the weak sales of bagged cement reported by Rugby yesterday. But there appears to be more to it than that. Stagnant prices may have made householders question the value of adding that extension.

Such penny-pinching has prolonged the price war among the do-it-yourself sheds which has brought continued deflation for consumer building products. But with many of the sector's raw materials prices on the increase suppliers like Spring Ram are having to keep hacking away at costs just to stand still. Without an uptick in house prices the sector's recovery could soon run out of steam.

BT

British Telecom's latest price cuts show that the company has learnt a thing or two about marketing. Reductions have been mandated by its regulator. But Oftel determines neither the precise timing of cuts nor which services they should focus on. In the past, BT often announced a confusing jumble of price changes once a year. But the company has now woken up to the fact that the timing and focus of price cuts can be used to throw the competition off balance.

Cutting long-distance charges by up to 25 per cent is sensible since that is a market where competition from its main rival, Mercury Communications, is stiff. The timing looks designed to spoil the launch of Energis, which opened its long-distance service only this week. Further cuts can be expected to focus on international calls, where Mercury is also strong. But BT will probably hold fire until it has a better idea of the competition it will face from a new breed of international operators and so knows how to cause the maximum damage.

BT is also becoming smarter about presenting price cuts. It now picks one service at a time and so can articulate a clear message. That is essential if it is to persuade customers, who generally think that calls are more expensive than they actually are, to use their telephones more. None of this is rocket science. But investors will pleased that BT's marketing department is no longer in the dark ages.

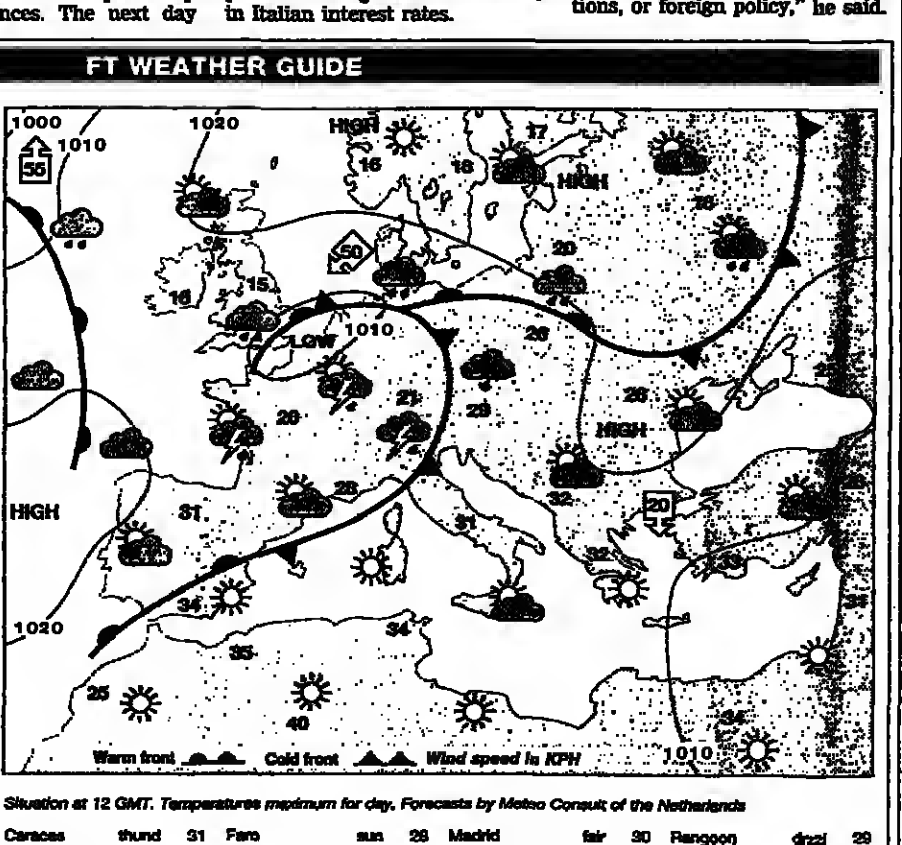
FT WEATHER GUIDE

Europe today

Showery rain associated with an area of low pressure over the Benelux will affect eastern England, the North Sea, Denmark and Poland. Some rain will be accompanied by thunder storms, especially over Denmark and Poland. North-west France will have moderate rain. Thunder storms will develop in the afternoon in south-west France, the southern Benelux and the Alps. North-west UK, central France, Germany and south-west Scandinavia can expect a mixture of cloud and sun. It will be sunny in central Scandinavia but there will be rain and showers in the north. Eastern Europe will have only a few glimpses of sunshine.

Five-day forecast

A high over Scandinavia will move towards western Russia, allowing unsettled conditions to develop in Scandinavia this weekend. Western Europe will be affected by low pressure from the Atlantic. Rain will develop over the UK by the weekend and will spread to the Benelux, northern France and southern Scandinavia. Southern Europe will remain sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	40
Accra	shower	26
Algiers	fair	33
Amsterdam	fair	15
Athens	sun	32
Atlanta	thund	31
B. Aires	fair	12
B.ham	fair	17
Bangkok	rain	31
Barcelona	shower	26
Beijing	cloudy	29
Belfast	fair	16
Belgrade	sun	30
Berlin	rain	21
Bermuda	shower	32
Bogota	thund	15
Bombay	rain	28
Brussels	shower	19
Budapest	sun	30
C.hagen	shower	17
Cairo	sun	32
Cape Town	fair	21
Caracas	thund	31
Cardiff	shower	16
Casablanca	fair	24
Chicago	fair	17
Cologne	fair	20
Dakar	fair	30
Dallas	thund	32
Delhi	fair	34
Dubai	sun	39
Dublin	fair	16
Dubrovnik	fair	28
Edinburgh	fair	16
Faro	sun	28
Frankfurt	thund	21
Geneva	shower	21
Gibraltar	sun	28
Glasgow	fair	16
Hamburg	rain	16
Helsinki	fair	16
Hong Kong	fair	32
Honolulu	fair	33
Istanbul	fair	27
Jakarta	fair	31
Jersey	shower	17
Karachi	fair	32
Kuwait	sun	45
L. Angeles	fair	25
Las Palmas	fair	26
Lima	cloudy	19
Lisbon	fair	24
London	rain	17
Lux.bourg	fair	19
Lyon	fair	21
Madeira	fair	25
Madrid	fair	30
Majorca	fair	29
Malta	fair	30
Manchester	shower	17
Manila	shower	33
Melbourne	cloudy	22
Mexico City	thund	20
Miami	thund	31
Milan	thund	27
Montreal	fair	17
Moscow	fair	17
Munich	thund	22
Nairobi	shower	22
Naples	sun	30
Nassau	thund	31
New York	sun	25
Nice	shower	26
Nicosia	sun	35
Oslo	fair	18
Paris	shower	20
Perth	shower	17
Prague	fair	26
Rangoon	drzzl	29
Reykjavik	rain	11
Rio	fair	26
Rome	sun	29
S. Frsco	fair	22
Seoul	fair	29
Singapore	drzzl	31
Stockholm	fair	17
Strasbourg	fair	20
Sydney	fair	15
Tangier	fair	24
Tel Aviv	sun	32
Tokyo	shower	32
Toronto	fair	17
Vancouver	cloudy	20
Venice	shower	27
Vienna	fair	28
Warsaw	fair	23
Washington	shower	27
Wellington	cloudy	11
Winnipeg	sun	18
Zurich	thund	18

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday September 1 1994

IN BRIEF

Swedish drugs groups surge

Astra, the Swedish pharmaceuticals group, yesterday announced a 23 per cent jump in first-half profits to SKr4.50bn ($581m), with strong sales growth more than compensating for a sharp drop in financial income.

Pharmacia, the newly-privatised Swedish drugs group, yesterday reported a better-than-expected profit of SKr2.66bn ($343m) for the first six months as sales reached SKr13.7bn. Page 18

Bristol & West breaks new ground
Bristol & West Building Society, the UK's 10th largest, is set to launch a commercial mortgage securitisation, the first by a UK society. Page 18

TVB rise stuns market
Television Broadcasts (TVB), the Hong Kong television company, stunned the stock market with a 70 per cent increase in first-half net earnings to HK$278m (US$36m). Page 18

ITT plans formal bid for Ciga
ITT, the US conglomerate, plans to launch a formal bid for 35.25 per cent of Ciga, the Italian hotels group, at a price of about L1,100 a share. If successful, the bid will double the US company's stake in Ciga to just over 70 per cent. Page 29

Turnround at TNT
A turnround at Ansett Airlines and reduced losses at GD Express Worldwide business, helped TNT, the Australian transportation and package delivery group, to an equity-accounted profit after tax and abnormal items of A$105.1m (US$78m). Page 20

Charges drag MIM Holdings into loss
Abnormal charges at MIM Holdings, the Queensland-based metals and mining group, pulled it into a A$195.1m (US$145m) loss after tax in the year to end-June. Page 20

Pulp and paper upturn continues
Clear evidence of a strong upturn in the pulp and paper cycle emerged yesterday when two of Sweden's leading forestry groups, SCA and MoDo, reported a sharp increase in first-half profits. Page 18

Banco Santander sells Banesto stake
Banco Santander has sold 1.47 per cent of Banesto, the troubled bank it took over earlier this year, to La Caixa, the Barcelona-based savings bank. The deal could foreshadow wider agreements between the two leading domestic financial institutions. Page 19

Spring Ram forced to close Artisan
Spring Ram, the UK kitchen, bathrooms and furniture group, is to close its loss-making Artisan Tile factory in Bradford.Page 23

UK housebuilders show promise
Share prices of housebuilders rose sharply yesterday after companies reported that new house sales had recovered last month. Page 22

Ryan losses deepen to £7.35m
Ryan Group, one of the companies expected to bid for British Coal assets later this month, incurred pre-tax losses of £7.35m ($11.3m) in the year. Page 23

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Colonia Kln Prf	855	+	20
Hertie	373	+	12
Mannesmann	439.2	+	8.5
Falls			
Altana	677.5	–	18
Asko	975	–	25
Kaufhof	537	–	8.5
NEW YORK ($)			
Rises			
Castle Energy	17	+	2⅛
NoAm Energy	7⅛	+	1¼
Falls			
Gen Motors	48⅛	–	1¼
Micron Tech	41⅞	–	1½
Texas Instruments	78¼	–	4¼
Warner Lambert	84⅛	–	2

New York prices at 12:30.

PARIS (FFr)			
Rises			
Bongrain	3179	+	134
Euro RSCG	692	+	22
Finextel	132.6	+	5.6
Gal Lafayette	2400	+	120
Moulinex	123.8	+	3.8
Roussel-Uclaf	657	+	14
TOKYO (Yen)			
Rises			
General Sekiyu	1270	+	100
Kotto Manf	830	+	34
M'bishi Rayon	472	+	47
Okamoto Corp	991	+	32
Falls			
Citizen Watch	865	–	35
Tosoh Corp	382	–	12

LONDON (Pence)			
Rises			
Barratt Dev	210	+	12
Body Shop	216	+	11
Britannia	43	+	3
Cattle's	159	+	6
Domnick Hunter	260	+	10
IAF	38¼	+	5
Lon & Manchester	351	+	12
Lonrho	142½	+	6½
Magnum Power	48	+	5
Partco	248	+	13
Persimmon	262	+	10
Psion	285	+	11
Schroders	1508	+	48
Securicor A	1059	+	50
Serco	287	+	14
Tottenham Hotspr	144	+	19
Wilson (Conn)	234	+	17
Falls			
Argyll Grp	295	–	11½
Cardiff Prop	258	–	10
Coats Viyella	229	–	10
Coutts Consult	67	–	22
MAID	70	–	5
Ramco Energy	195	–	11
Rolls-Royce	186	–	10

Metallgesellschaft escapes from Castle

By Christopher Parkes in Frankfurt

A gaping hola in Metallgesellschaft's finances was plugged yesterday after the struggling German metals and engineering group negotiated its way out of a series of crippling contracts with a US oil refiner. The costly relationship, which recently forced Metallgesellschaft to sell prime assets to generate DM1bn ($600m) to cover expected losses on the contracts, is to end on January 31.

The deal could mark the group's most significant step towards financial health since its creditor banks provided a DM3.4bn rescue package to save it from collapse last January. Under a complex two-stage agreement, MG Corp, the group's US subsidiary will effectively cancel all existing links – as shareholder, customer and financier – with Castle Energy.

Tha extraordinary, still-unexplained, customer relationship was developed by now-departed US executives. It obliged MG Corp to buy all Castle's refinery output until the year 2000 at prices above market levels.

Mr Kajo Neukirchen, group chairman, recently described Castle, in which MG Corp had a 40 per cent stake, as a money-making machine. MG Corp was a money-destroying machine, he said. Group officials were unable last night to specify the cost of the arrangements, which include Metallgesellschaft's assuming $375m of Castle's third-party debt and cancelling Castle's obligations to MG Corp. "It is expensive, but the alternative [to honour the oil contracts] would have been much, much dearer," a spokesman said. "We are all vary relieved," he added.

It also emerged yesterday that Metallgesellschaft is preparing to place its 47 per cent stake in tha Kolbenschmidt automotive components group if talks with potential industrial buyers fail again. Plans were being drawn up as an "option" to raise about DM250m, banking sources said.

Industry officials suggested the preparations were intended to "put a squib" under Dana Corp of the US and Britain's T&N, the two leading contenders for the stake. A placing would almost certainly result in the holding's being taken into "safe German hands". The leaked news that the shares could be placed might have been intended as a warning to Dana and T&N that they could miss an important opportunity in the German market if they tried to drive too hard a bargain, the officials suggested.

Metallgesellschaft confirmed negotiations bad resumed with Dana, which unexpectedly pulled out of a purchase agreement signed in March after reportedly deciding the price was too high and that it wanted to exclude Kolbenschmidt's aluminium foundry from the deal.

The last disposal via a share placing, of the group's Buderus heating equipment subsidiary, stirred considerable criticism from foreign institutions when it emerged that control had effectively passed into the hands of the Bilfinger and Berger construction group with the help of Dresdner Bank, one of Metallgesellschaft's main creditors.

■ Turnround to operating profit of DM926m ■ 'Inexplicably weak' dollar hurting exports and aircraft sales

Mercedes drives first-half recovery at Daimler-Benz

By Kevin Done, Motor Industry Correspondent, in London

Daimler-Benz, the German automotive and aerospace group, achieved a DM3.3bn ($2.1bn) turnround in its operating performance in the first half of the year with an operating profit of DM926m compared with an operating loss of DM2.4bn in the same period a year ago.

Mr Edzard Reuter, chairman of the management board, said the group would achieve "a thoroughly satisfactory operating profit" for the full year, and forecast that "almost all" operations would return to profit by 1995.

Around DM650m of the improvement arises from the sale of a majority stake in Mercedes-Benz Leasing to German banks.

Daimler-Benz net profits under US accounting standards totalled DM369m in the first half compared with a net loss of DM949m a year ago, while earnings per share on the same basis recovered to DM7.82 from a loss of DM20.37 per share. Under German accounting rules, net profits nearly trebled to DM462m from DM168m on group turnover which rose by 13.4 per cent to DM48.96bn from DM43.19bn.

Mr Reuter said the group was concerned by "the inexplicably weak rate" of the US dollar against other leading trading currencies, and in particular against the D-Mark, which was hurting both car exports to the US and sales of commercial aircraft.

The turnround follows a restructuring programme begun in the second half of 1992 which includes the cutting of 78,000 jobs by the end of 1995.

The first-half recovery was helped by severe measures to cut costs, boost prodnctivity and rationalise operations, but it also was supported by an improvement in the fortunes of the Mercedes-Benz executive and luxury car operations due chiefly to the successful launch of tha new C-Class executive car range.

Car production jumped 44.8 per cent to 302,076, while car sales volumes rose 40.3 per cent to 296,770 and turnover rose 22.8 per cent to DM21.2bn.

Mr Reuter forecast that the volume of car sales in the full year would rise by about 15 per cent to 585,000. The car operations were currently working "to the limit of our technical capacity" in most areas, he said. The group's E-Class luxury car would be replaced in mid-1995.

New car projects currently under development were expected to increase Mercedes-Benz car production to about 1m units a year by the end of the decade. These include two small cars as well as a multi-purpose vehicle to be built in Spain and a four-wheel driva sports/utility vehicle to be built in the US.

The turnover of Deutsche Aerospace, which is cutting 10,000 jobs and closing 6 plants, declined by 5.6 per cent to DM7.2bn and for the full year was expected to be unchanged.

Lex, Page 16

Fergus Wilde

Edzard Reuter, chairman, predicted 'a thoroughly satisfactory operating profit' for the full year

Monopoly's privatisation price seems steep as core growth is being extinguished, writes **Gordon Cramb**

Japan Tobacco at $14,380 a share leaves 'em gasping

The Japanese finance ministry yesterday put a market value of Y2,876bn ($28.7bn) on the country's monopoly cigarette manufacturer, setting the privatisation price for Japan Tobacco at what many found a gasp-inducing Y1.438m ($14,380) per share.

While maximising revenues for the government at a time when its tax receipts are down, the pricing drew concerns from analysts that the Tokyo Stock Exchange might be in for another bumpy autumn journey.

Initial trading last October in JR East, the previous big state sell-off, all but derailed the exchange's systems as the price ran up furiously. Liquidity drained from the market, and stock in the regional train operator eventually fell back to join other issues in a hibernation which they have yet to shake off.

Japan Tobacco shares, which go on sale from tomorrow, start trading on October 27. Like JR East, the company has strong cash flow and a healthy land portfolio. It is also virtually debt-free. But like tobacco groups elsewhere, it has no prospect of growth in its main business. Its diversification attempts are not expected to contribute significantly to earnings for as much as a decade.

JT's asset base prompted bids of up to Y2.11m a share in a pre-offer auction among institutions. Although the lowest accepted bid in the auction of 230,000 shares, or 11.5 per cent of equity, was more than Y1.36m, some securities houses aaid shares were worth only Y500,000 if measured against western industry leaders such as Philip Morris of the US, maker of Marlboro.

After the public tranche, the government will retain two-thirds control of JT, and has left intact its status as the only licensed producer of cigarettes in Japan. The market has, however, been open to imports since 1987, and these have grown steadily to account for 17.9 per cent of all cigarettes sold in Japan last year.

JT acknowledges that the rise in foreign penetration will continua. The company's main advantage is its distribution system, which extends to pavement vending machines under its control. The main foreign brand found there is Marlboro, which JT makes under licence.

The group has struck a similar deal with France's Seita state monopoly to produce Gitanes Blondes, and international links are seen as a way forward. JT licenses its own best-selling Mild Seven brand for manufacture in Malaysia, and in 1992 bought Manchester Tobacco in the UK to supply Europe and parts of Asia. In May JT said it was quintupling capacity in Manchester to 10bn cigarettes a year, a figure that pales compared with the 272.9bn JT cigarettes which the Japanese lit up last year.

Japan is among the few developed countries where most men still smoke – 59.8 per cent – but the proportion is slowly falling, while the 13.8 per cent of women who are smokers has barely changed in a decade. JT admits: "We will see a decline in the number of young people who are the primary consumers, so the tobacco industry will be faced with difficulties."

Japan, where foreign consumer products have usually sold on a premium image, has not yet encountered the wave of supermarket brands which have brought price competition to some western cigarette markets. In the current climate of austerity JT recognises this as a threat and at least one US maker has begun selling a discounted line in Japan.

To shape up for the private sector, JT's workforce has been cut by nearly a quarter to 23,700 and the number of domestic plants reduced by a similar margin to 26. It has sought other businesses, most notably pharmaceuticals where it now produces 40 over-the-counter drugs and an agent used in chemotherapy, its first prescription treatment developed in-house. But it is likely to be 10 years before the sector generates an incoma stream, and outlays are still high.

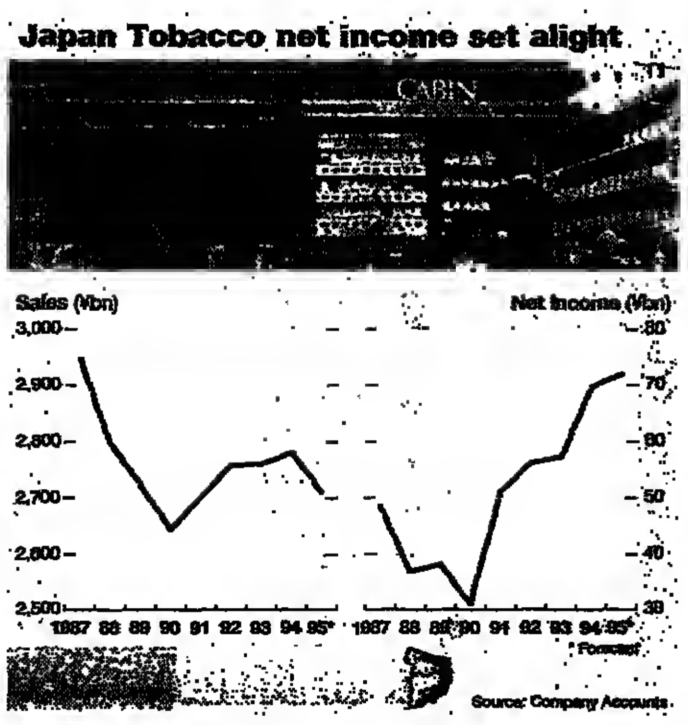
The company spent Y40bn on a research centre for the division and says that such spending, along with increased promotional for its tobacco business, account for a steady increase in marketing and administrative expenses – these outlays rose 44 per cent over the past five years while pre-tax profits were up a little more than a third.

JT is forecasting a 4.5 per cent dip in profits before tax to Y109bn in its current year to March, on a 2.6 per cent decline in sales to Y2,711bn. Net earnings are, however, projected to emerge higher at Y36,000 a share against Y33,246, from which a dividend of at least Y5,000 will be paid. Net assets per share in March were put at Y564,947.

Most foreign funds which track Japanese stock market indices will shell out for some Mild Seven. But Mr Keith Donaldson, investment strategist at Salomon Brothers in Tokyo, says: "I don't think I'd recommend it at this price."

Individual Japanese investors may decide differently. But in a country where decisions are commonly made in smoka-fillad rooms, there was one possible portent yesterday. As Mr Masayoshi Takemura, finance minister, chaired the meeting of dozens of officials and advisers which set the JT price, the air was curiously clear.

Japan Tobacco net income set alight



Source: Company Accounts

SBC buys US investment firm

By Ian Rodger in Zurich

Swiss Bank Corporation, Switzerland's third largest bank, is to acquire Brinson Partners, a leading US investment management firm, as part of its strategy for building up a global institutional asset management business.

SBC said in Zurich yesterday it would charge $750m against its capital reserves for the purchase, although the final price would depend on Brinson's performance over at least seven years. It had pre-tax profits of $35m last year.

Brinson, with assets under management of $36bn and a staff of 233, is the second big US acquisition made by SBC in the past two years. In 1992, it bougbt the business of the O'Conner Partnerships, also based in Chicago, specialising in the use of derivatives in investment risk management.

SBC plans to integrate its own institutional asset management business with Brinson's in a new division under the direction of Mr Gary Brinson, the US firm's president. Together, they would manage some $65bn.

Brinson, formerly First Chicago Investment Advisors, pioneered active management of global portfolios for US clients in the early 1980s.

As part of the acquisition, SBC will take over Brinson's 1991 joint venture with Yasuda Fire & Marine Insurance of Japan.

Mr Georges Blum, SBC's chief executive, said Brinson would "reinforce tbe share of stable and sustainable income streams" of tbe bank, a remark that appeared aimed partly at responding to recent criticism of its earnings volatility.

In the first balf of 1994, SBC's profits before taxes and provisions fell 45 per cent to SFr1.2bn ($900m), mainly because of a 63 per cent slide in trading income.

Mr Blum yesterday revealed a breakdown of operating income for the first time. The Swiss domestic diviaion made SFr2.36bn, 70 per cent of the total, while international and finance contributed SFr899m.

Strong sales lift Astra in first half

By Christopher Brown-Humes in Stockholm

Astra, the Swedish pharmaceuticals group, yesterday announced a 23 per cent jump in first-half profits to SKr4.50bn ($581m), with strong sales growth more than compensating for a sharp drop in financial income.

The group said sales and earnings would continue to rise in the second half, although it warned that growth would be slower than last year because of a less favourable currency influence.

Underlying sales were 23 per cent higher at SKr13.3bn, enabling the group to take further market share in its most important markets.

Star performer was the anti-ulcer drug, Losec, which lifted sales by 41 per cent, compared with market growth of around 10 per cent. Overall, Losec sales reached SKr8.14bn, up 47 per cent.

Losec, the main challenger to Glaxo's Zantac, has around 35 per cent of the European market and is the top-selling drug in both France and Germany. Astra says it has preliminary indications that Losec may even have overtaken Zantac in the UK market. The drug has a US market share of around 17 per cent.

Pulmicort, the anti-asthma agent, increased sales by 29 per cent to SKr1.77bn, helped by the launch of the group's Pulmicort Turbuhaler in Germany this year.

Group operating earnings grew 37 per cent to SKr4.42bn but the full impact was not felt at the bottom line because of a sharp drop in financial income to SKr85m from SKr392m.

The group said it suffered up to SKr150m in unrealised losses on its bond portfolio while capital expenditure rose sharply to SKr3.3bn from SKr1.2bn. Among other investments, the group strengthened its position in Japan by lifting its stake in a joint venture with Fujisawa to 90 per cent.

Sales in Germany, the group's main market, climbed 27 per cent in local currencies, against estimated market growth of 5 per cent. The company said Losec's German sales had not been affected by a domestic scare surrounding an injectable form of the drug.

Analysts expect full-year profits of between SKr9.5bn and SKr10bn, compared with SKr7.8bn last year.

BBL posts 26% rise to BFr3.85bn at midway

By David Gardner in Brussels

Banque Bruxelles Lambert (BBL), one of the big three Belgian banks, yesterday announced a 26 per cent rise in consolidated net profits for the first half-year, of BFr3.85bn ($118m) against BFr3.05bn in the first half of 1993.

Announcing the result, Mr Daniel Cardon de Lichtbuer, chief executive, said that BBL's "battle is won," after the black year of 1992.

BBL cut its dividend in 1992 after having to make heavy provisions for bad loans, and a bid to link up with Internationale Nederlanden Groep, the Dutch financial services group, collapsed.

Since then, there has been a clean-out of the foreign network's loan portfolio, where most of the bad debts were lodged, and a much more rigorous assessment of credit risk, especially in lending to the private sector.

BBL earned a BFr392m profit from its European subsidiaries in the first half, against losses for the whole of last year of BFr942m. Private sector loans, meanwhile, rose only 3 per cent in the first six months of 1994, compared with a 12 per cent increase in lending to the public sector.

Provisions for loans and investments fell 28 per cent to BFr4.47bn, against BFr6.21bn in the first half of last year.

Mr Cardon expected similar earnings in the second half, and total provisions for the year of the order of BFr5bn, half 1992 levels.

Swedish forestry groups reflect upturn in sector

By Christopher Brown-Humes

Clear evidence of a strong upturn in the pulp and paper cycle emerged yesterday when two of Sweden's leading forestry groups, SCA and MoDo, reported a sharp increase in first half profits.

SCA said profits after financial items had risan to SKr818m ($105.7m) from SKr550m, exclnding one-off items.

MoDo returned to the black, swinging to a SKr471m profit after financial items from SKr319m loss a year ago.

Both companies said they were feeling the effects of increased volumes and lower financial costs. MoDo also highlighted a sharp upturn in prices for pulp, fine paper and sawn goods as the basis for its turnround.

SCA upgraded its full-year forecast, saying it now expected profits of between SKr1.9bn to SKr2.3bn.

Underlying group sales were 3 per cent higher at SKr15.6bn, mainly because of higher volumes. Operating profits increased to SKr1.39bn from SKr1.06bn, although the latest figure included SKr216m in one-off gains. Net financial costs sank to SKr360m from SKr507m.

The group'e Mölnlycke hygiene division, which did much to sustain SCA during the downturn in the pulp and paper cycle, saw profits sink to SKr431m from SKr580m due to intensive competition in the nappies market.

MoDo saw sales climb 12 per cent to SKr9.4bn, mainly due to higher volumes and prices for pulp and fine paper.

The operating result climbed sharply to SKr909m from SKr277m. The latest figure included a SKr140m payment received as compensation for start-up problems at the group's Alizay plant in France.

All the group's units reported higher operating profits as the group benefited from improved capacity utilisation and better markets.

MoDo Paper, the fine paper division, swung to SKr127m profit from a SKr202m loss while Iggesund Paperboard saw profits rise to SKr332m from SKr156m. Group financial costs fell to SKr438m from SKr596m.

The company says full-year profits will comfortably exceed SKr1bn.

Swedish mortgage group to de-mutualise

By Hugh Carnegy in Stockholm

Stadshypotek, Sweden's largest mortgage credit institute, yesterday launched a SKr3bn share issue to convert it from a co-operative organisation into a profit-orientated listed company.

The offer, one of the biggest de-mutualisation projects carried out in Sweden, is being made to 760,000 Stadshypotek borrowers who will be allowed to waive subscription rights in favour of domestic and international institutions.

Borrowers will be eligible, according to the size of their mortgages, to subscribe for shares at a price of SKr80 per share. They will also receive one matching share free for every share they buy from Stadshypotekskassan (the Urban Mortgage Bank), the trustee fund which currently owns 100 per cent of Stadshypotek.

The shares are expected to have a pro forma net asset value of about SKr125.

Stadshypotek can also issue a further 4.5m shares at market prices to Swedish and foreign institutions if the initial offer is a success.

The subscription period for the initial offer starts on September 26.

If fully taken up, the offer to borrowers will leave UMB with a 36.2 stake in Stadshypotek. Under current legislation, UMB's holding is due to be wound up by the year 2002.

Cost-cutting helps Pharmacia to half-time profits of SKr2.66bn

By Christopher Brown-Humes

Pharmacia, the newly-privatised Swedish drugs group, yesterday reported a better-than-expected profit of SKr2.66bn ($343m) for the first six months as sales reached SKr13.7bn.

The group said it was difficult to compare its figures with the same 1993 period because of the acquisition of the Italian pharmaceuticals group Farmitalia Carlo Erba (FICE) in May 1993.

If FICE is included on a pro-forma basis from January 1 1993, underlying sales were 4 per cent higher than a year ago and underlying operating profits were 25 per cent higher at SKr2.76bn. The group said the main reason for the improvement was cost-cutting.

The company said its operating margin for the 12 months to June 30 was 16.5 per cent, compared with 14.7 per cent for the whole of last year. It is looking for savings of SKr1.2bn by 1996 to achieve an operating margin of 20 per cent.

Sales of the group's two main drugs, Genotropin (growth hormones) and Healon (cataract eurgery) both fell slightly. It blamed restrictions on healthcare spending in Spain and Australia for the 1 per cent decline in Genotropin sales to SKr1.8bn. Healon sales were also 1 per cent lower at SKr797m due to fewer surgical operations in the US.

Although sales in the Swedish market fell 7 per cent to SKr967m, sales in Japan, the group'e most important market, rose 15 per cent to SKr2.2bn.

The Swedish government sold most of its shares in Pharmacia in June but has retained a minority 12 per cent stake to provide the group with ownership stability ahead of Volvo's planned divestment of its 28 per cent stake in the company in 1996.

Financial items boost Skanska

By Christopher Brown-Humes

Skanska, the Swedish construction and property group, yesterday reported a 30 per cent rise in first-half pre-tax profits to SKr1.52bn ($196m).

The rise came in spite of a weaker Swedish construction market and was achieved due to lower net interest costs, reduced exchange losses on loans and increased income from dividends.

Operating profit before financial items was SKr1.32bn, after including a SKr234m gain on the sale of investment and development properties. The figure was 7 per cent lower than a year ago when operating profits of SKr1.43bn included a SKr37m gain from property sales.

The gronp has already exceeded the SKr1.12bn profit it reported for the whole of 1993. Its second-half figures will include SKr880m in revenues following the winding-up of Protorp, the investment company.

Revenues climbed to SKr14.9bn from SKr14bn. However, the group relied on a strong expansion of its international construction business, where revenues climbed to SKr3.9bn from SKr2.4bn, to offset the downturn in domestic construction, where revennes fell to SKr6.7bn from SKr7.4bn.

During the first half the group established a Finnish snbsidiary and bought the Beers Construction group in Atlanta, Georgia, as part of an international expansion drive. It wants international business to reach 35-40 per cent of group revenues to reduce its exposure to fluctuations in the Swedish building sector.

Skanska noted that Swedish housing starts had slumped to 3,300 units in the first half from 5,644 units. It said the extremely low level of residential activity created "major difficulties for Swedish contracting operations," although there had been a slight improvement in the road and civil engineering sector.

Czech telecom monopoly advances to Kcs3.49bn

By Vincent Boland in Prague

SPT Telecom, the Czech state telephone monopoly being restructured and privatised, yesterday reported pre-tax profits of Kcs3.49bn ($124.6m) for the six months to June on revenues of Kcs10.01bn.

Interim figures for 1993 were not made available, but SPT Telecom made full-year pre-tax profits of Kcs6bn on revenues of Kcs18.3bn last year. The company expects full year pre-tax profits for 1994 of Kcs7.4bn.

SPT Telecom is seeking a single strategic partner to buy 27 per cent of the company by March 1 next year to help modernise its ontdated network. Several international telecoms groups are believed to be interested, with most speculation centred on France Télécom and AT&T of the US.

Only one in five Czechs has a telephone, and SPT Telecom has a backlog of more than 500,000 applications for new telephones.

The company's future investment programme calls for spending up to Kcs130bn on updating equipment and speeding up installations.

Under the government's telecommunications policy, SPT Telecom is to retain a monopoly of Czech telephone services until the end of the decade.

Rowland faces directors' vote

By Robert Peston and Roland Rudd in London

Lonrho directors will today vote on whether to strip Mr Tiny Rowland of his executive powers, in a move which may end his 33-year reign over the international trading group.

Though the formal agenda of today's board meeting does not contain a motion to depose him as joint chief executive, the directors are expected to raise the question of whether he should continue in the post as part of "any other business".

The move follows disclosures that Mr Rowland cost the company more than £5.5m ($8.4m) a year in salary and other charges.

Kühne & Nagel ahead 11.7%

Kühne & Nagel, the freight forwarding gronp which floated shares on the Swiss and German markets in May, has reported a first half net income of SFr24.9m ($18.8m), up 11.7 per cent on sales of SFr2.52bn, ahead 14.4 per cent, writes Ian Rodger.

The group said it was confident that it would at least reach its full-year net profit target of SFr50m for 1994.

Telia earnings increase fourfold

By Christopher Brown-Humes

Telia, the state-owned Swedish telecommunications gronp, yesterday announced a surge in first-half profits to SKr3.4bn ($441m), nearly four times the SKr865m achieved last year.

It said full-year earnings would be considerably higher than last year's SKr3.95bn level even though it anticipates greater competition and lower prices in the autumn.

The group said it benefited from improved operating margins, lower capital costs and the sale of Teli AB to Ericsson.

Operating revenues rose 7 per cent to SKr18.9bn while costs were reduced by a similar amount to SKr11.09bn. This left the group with operating income of SKr7.80bn, against SKr5.70bn.

Telia said it had noted a marked increase in the inflow of orders from big customers in the commerce and service sector.

It added that traffic revenues in the switched telephone network were 2.6 per cent higher than a year ago while the number of subscriptions had begun to rise again after a decline in 1993. "Mobile telephony continues to experience strong growth," it said.

AGF confident despite decline in first six months

By Alice Rawsthorn in Paris

Assurancas Générales de France, the French insurance group which is a candidate for privatisation, yesterday announced a fall in net profits to FFr1.04bn ($192m) for the first half of 1994 from FFr1.41bn in the same period last year.

However, Mr Antoine Jeancourt-Galignani, chairman, said AGF was on course for an increase in net profits for the full year to between FFr1.46bn and FFr1.7bn. This compares with net profits of FFr977m in 1993.

"We're extremely cautious," he said. "But our forecast at the moment is that profits for the full financial year will be 40 per cent to 60 per cent higher than those for the first half."

Mr Jeancourt-Galignani also stressed that AGF would be ready for privatisation by the end of September, the deadline set earlier this year when the Balladur government outlined its privatisation plans.

The government has since appeared cooler ebout the prospect of selling its AGF shares, in favour of concentrating on the proposed partial privatisation of the Renault motor group.

AGF has made no secret of its hopes that the sale will go ahead this autumn. "It's up to the government to take the decision," said Mr Jeancourt-Galignani.

Meanwhila AGF is reorganising its assets.

Mr Jeancourt-Galignani confirmed it intended to sell a 43 per cent stake in Banque Française du Commerce Extérieur, which is held jointly with the Crédit Lyonnais banking group.

He also affirmed that AGF had begun talks with Suez, the French holding company, to acquire the latter's 26.7 per cent holding in SFAC, a credit insurance concern.

AGF already owns 45 per cent of SFAC and hopes to take control.

Mr Jeancourt-Galignani declined to comment, however, on the progress of talks for AGF to raise its stake in AMB, the German insurance company of which it now owns 33.5 per cent.

AMB doubled its contribution to AGF's interim figures, providing net profits of FFr106m, against FFr54m in the first half of last year.

Banco Santander sells 1.47% Banesto stake

By Tom Burns in Madrid

Banco Santander has sold 1.47 per cent of Banesto, the troubled bank it took over earlier this year, to La Caixa, the Barcelona-based savings bank. The deal could foreshadow wider agreements between the two leading domestic financial institutions.

La Caixa, which paid Pta7.4bn ($57.4m) for the stake, said the acquisition, an unprecedented investment by a savings institution in a leading commercial bank, was a "purely financial investment". It rejected speculation that it formed part of a "non-aggression pact" with Santander.

The savings bank paid Pta830 per Banesto share, well below the average trading price during August of more than Pta1,000 for Banesto stock. Santander had paid Pta762 per Banesto share when it took control of the bank in April.

It emerged, however, that the purchase, which makes the savings bank Banesto's fourth largest shareholder, coincided with a Pta13.6bn sale by La Caixa to Santander in early August of 0.7 per cent of its equity in Telefónica, the national telecommunications company.

La Caixa, ranked second after Italy's Cariplo among European savings banks, earned Pta5bn in capital gains from its Telefónica share sale to Santander. The disposal lowered La Caixa's equity in Telefónica to 1.3 per cent although it remains one of its largest individual shareholders.

Market sources believe that there could be further deals between La Caixa and Santander, which has become Spain's leading commercial bank after its takeover of Banesto.

Santander now holds 68.4 per cent of Banesto and intends to cut this to about 50 per cent.

Bols Wessanen slips 7.9%

By Ronald Van de Krol

Bols Wessanen, the Dutch food and beverages group, blamed a downturn in its beverages activities for a 7.9 per cent decline in first-half net profit to Fl 110.2m (US$63.0m), from Fl 119.6m a year earlier.

It said the decline was partly due to poor weather during the second quarter in Italy. In the Netherlands its profits from apirits fell because of an increase in excise duties.

Group turnover rose by 6.4 per cent to Fl 2.66bn, with most of the increase due to acquisitions, but operating profit fell by 3.6 per cent to Fl 66.8m.

In spite of the first-half decline, which caused the company's shares to fall nearly 10 per cent on the Amsterdam stock exchange yesterday, Bols Wessanen predicted that full-year net earnings per share, excluding extraordinary items, would at least match the 1993 figure.

Seagram climbs 32% to $224m in second term

By Robert Gibbens in Montreal

A strong contribution from 24.5 per cent-owned Du Pont, the US chemicals group, lifted Seagram's second-quarter net profit by 32 per cent to US$224m, or 60 cents a share, from $170m, or 46 cents, a year earlier.

Seagram, one of the world'e top three drinks groups, said its revenues from beverage operations rose 2 per cent to US$1.45bn, with good gains at Tropicana, the fast-expanding juice unit, offsetting a modest decline in spirits and wines.

Tropicana achieved a 41 per cent share of the US ready-to-serve orange juice market, up from 37 per cent a year earlier.

Beverage operating income overall was $144m, down $14m, partly due to exchange factors. Latin American markets were weak, especially in Venezuela, but US spirits sales staged a turnround, with a strong contribution from Seagram's new vodka brand.

Mr Edgar Bronfman Jr, president, estimated thet fiscal 1995 spirits and wines operating income will exceed the fiscal 1994 level of $666m.

Seagram's share of Du Pont's unremitted earnings jumped to $117m, against $51m, and dividend income was $77m, compared with $74m. Du Pont has been reporting higher profits with a strong recovery in chemical prices, especially in the US.

Seagram's overall first half earnings were $346m, or 93 cents, up from $332m, or 89 cents, a year earlier, while beverage revenues totalled $2.7bn, np from $2.6bn. The share of Du Pont profit was $198m, against $96m, and dividend income was $153m, against $146m.

The quarterly dividend is being raised to 15 cents from 14 cents with the September 30 payment.

Seagram also owns almost 15 per cent of Time-Warner, the US communications giant.

Acquisitions help lift VNU profits by 32%

By Ronald van de Krol in Amsterdam

VNU, the Dutch publishing group, saw net profit rise by 32 per cent to Fl 79m ($45.2m) in the first half, helped by acquisitions, cost-cutting and economic recovery in some markets.

Operating profit rose by 20 per cent to Fl 144m, matching the rate of increase in turnover, which rose to Fl 1.27bn from Fl 1.06bn.

Acquisitions, including the purchase of BPI Communications of the US, publisher of Billboard and other magazines, eccounted for slightly more than half of the turnover increase.

Net profit expanded more sharply than operating profit because of lower interest charges and lower taxes.

VNU said its Dutch and Belgian commercial television activities benefited from increased demand for brand advertising. In the UK, where VNU publishes trade and business magazines, the company reported a strong market recovery.

The Dutch company took a Fl 20m charge against operating profits at its US business information group to reflect more conservative valuations of both capitalised software and database costs.

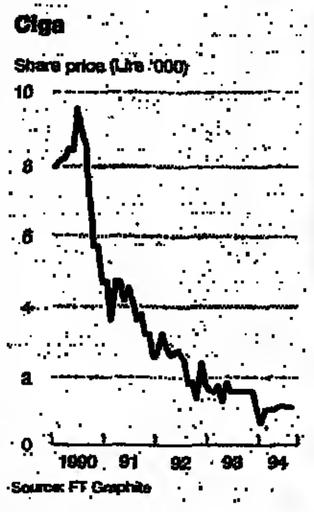
In January, VNU announced a $220m US deal giving it control over two "bibles" of the West Coast entertainment industry, the daily newspaper Hollywood Reporter and Billboard. It also took over 17 other US trade magazines.

ITT chairman checks out Ciga

US group poised to launch second bid, says Andrew Hill

Mr Rand Araskog, chairman of ITT, the US conglomerate, may be able to reward himself with a weekend at the famous Gritti Palace hotel in Venice this autumn. But he has probably not yet made his reservation.

Seven months attempting to gain control of Ciga, the Italian hotels group which owns the Gritti, have taught Mr Araskog that when it comes to Italian takeover bids – even those agreed by the target company – it is best not to plan too far ahead.



Source: FT Graphite


Rand Araskog: has spent seven months trying to win Ciga

Under the control of Fimpar, tha Aga Khan's holding company, Ciga accumulated borrowings of about L1,000bn ($623m) by the end of 1992, and at the beginning of last year asked Mediobanca, the powerful Milan merchant bank, to study plans to cut its borrowings.

Forte of the UK stepped in with a rescue plan last autumn, before Host Marriott of the US and ITT, which owns the Sheraton hotel chain, tabled rival bids.

In February, ITT appeared to have outbid Forte for the right to buy Ciga.

Since then, however, a combination of bad judgment and bad luck has forced ITT to abandon its original plan and etart egain, laboriouely building e stake in Ciga to the point at which it is now poised to launch a second formal bid for the loss-making company.

This being an Italian bid, nothing is official. From its New York base, ITT will say only that it is complying with Italian takeover regulations and will make a statement when appropriate.

Consob, the Italian stock exchange authority and takeover watchdog, has issued no official communiqué.

A terse statement in July, welcoming the appointment of ITT/Sheraton directors to the Ciga board, is the nearest Mr Araskog himself has come to acknowledging that hotels like the Gritti, the Meurice in Paris and the Principe di Savoia in Milan are within his grasp.

However, sources confirm that ITT plans to launch a formal bid for 35.25 per cent of Ciga, at a price of about L1,100 a share.

The offer will probably have to be made by September 16, the start of the next Milan stock exchange trading account.

Under Italian stock exchange rules, ITT must bid at least the average price it paid for Ciga shares accumulated on the market.

If successful, the bid will double the US company'e stake in Ciga to just over 70 per cent, and cost ITT a further L400bn on top of the L400bn or so the company has elready apent buying its existing 35 per cent holding.

The offer price is nearly 50 per cent higher than ITT's original unsuccessful bid, but it is not enough for a hard core of the company'e vociferous minority shareholders.

Some have already said they are unhappy with the small premium to the current market price of about L1,080 and will reject such an offer.

Their continued presence on the Ciga shareholder register would be a mixed blessing for ITT. Altbough the US group only needs 51 per cent of the company, it has already seen how determined Italian investors can npset carefully laid plans.

In April, ITT was forced to abandon its nriginal hope nf acquiring Ciga through a complex financial manoeuvre masterminded by Mediobanca.

A deliberately nverpriced rights issue was supposed to fail, delivering Ciga into the hands of its creditor banks and thence to ITT for the equivalent of L740 a share. In preparation for takeover, a team of ITT/Sheraton executives came to Italy to start examining the real state of Ciga's assets.

Unfortunately for ITT and Mediobanca, investors snapped up the issue nf shares. An angry and embarrassed ITT withdrew its management team, claiming that more than L300bn of capital investment was needed to bring the Ciga botels up to a satisfactory standard.

ITT continued to buy shares in tbe company, however, although the tactics this time were much less aggressive. At a stormy shareholder meeting in early July, the Aga Khan's management of the company was fiercely criticised.

It was agreed by the seven-strong board that three directors would step down to be replaced by ITT-Sheraton nominees. As a result, Consob decided the US group effectively controlled Giga, even though it directly owned less than 20 per cent of the group.

Italian investment funds which took stakes in Giga during nr just after the capital increase are happy that the hotels group will be managed by ITT-Sheraton, but some are upset about the way in which ITT bas gone about the takeover.

Although the funds claim they are long-term investors, they see the Italian group, now it is recapitalised, as a valuable play on real estate values, worth more than L1,200 a ahare. "For an international company coming into the Italian market for the first time, they could be a bit more generous," says nne fund manager.

In addition, some investors were irritated by the way in which ITT brought its stake up to 35 per cent in August, sweeping up shares on the market while there was still uncertainty about the terms of a future bid.

ITT is now said to have lodged its formal offer with Gonsob, making further purchases illegal, but the US company's earlier forays into the market were within Italian rules.

In any case, in spite of bid speculation, the Ciga share price rarely exceeded L1,100 during August.

In ITT's defence, Mr Araskog could point out that only a foolish traveller offers to pay more than the advertised rate for a suite at the Gritti Palace.

Ciba result undermined by financial factors

By Ian Rodger in Zurich

Ciba, the Swiaa pharmaceuticals and chemicals group, reported unchanged first-balf net income of SFr1.4bn ($1.05bn), as unfavourable currency and financial factors undermined e "creditable" operating result.

Mr Alex Krauer, chairman, forecast that net income in the full year would be comparable to last year's SFr1.78bn.

First-half sales were down 2 per cent to SFr11.64bn, but operating income rose 3 per cent to SFr2bn. Ciba said operating profits expressed in local currencies jumped by 19 per cent, with two-thirds of the growth coming from better margins and the remainder from expense control.

However, the group's financial income, based nn liquid funds of SFr7.2bn at the end of last year, plunged 30 per cent to SFr199m, largely because of the decline in market values of many investments.

The group's currency hedging activity also suffered, swinging from a SFr44m profit to a SFr61m loss. Ciba said it had been able to compensate partially through hedging the rise in the Swiss franc's value, but the cost was high.

Sales in the healthcare division were down 2 per cent tn SFr4.24bn, but up 3 per cent in local currencies. Pharmaceutical sales were flat at SFr2.9bn, hurt by pressures from governments to cut prices. Generic competition fnr the leading anti-rheumatic drug Voltaren should start to have an impact in the second half.

However, sales of Ciba Vision, which is acquiring the ophthalmic drugs business of Johnson & Johnson, advanced 6 per cent to SFr530m.

The self-medication division, following the acquisition of Fisons products, raised its sales by 3 per cent to SFr485m, 10 per cent in local currencies.

The agriculture sector also reported a 2 per cent decline in sales to SFr3.02bn, a 3 per cent rise in local currencies.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 31.08.94: Pool purchase price £/MWh	Final Prices for Trading on 04.08.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	10.53	10.05	10.55
0100	11.13	9.55	9.58
0130	11.13	9.57	9.57
0200	10.55	9.57	9.57
0230	10.55	9.57	9.57
0300	10.55	9.57	9.57
0330	10.55	9.57	9.57
0400	10.56	9.57	9.57
0430	10.55	9.57	9.57
0500	10.55	9.57	9.57
0530	10.55	9.90	9.90
0600	10.50	9.90	9.90
0630	13.10	10.95	13.60
0700	18.22	12.30	14.95
0730	18.02	18.71	19.38
0800	18.31	18.45	19.10
0830	21.01	17.16	19.80
0900	26.84	18.46	21.11
0930	21.21	18.01	20.68
1000	27.02	29.22	31.88
1030	23.35	29.23	31.89
1100	27.16	18.49	21.15
1130	29.16	18.50	21.16
1200	30.22	22.44	25.11
1230	30.11	29.24	31.90
1300	23.38	29.23	31.88
1330	26.87	18.46	21.11
1400	21.06	17.99	20.64
1430	21.03	18.45	21.10
1500	20.72	18.45	21.10
1530	20.71	17.16	19.80
1600	20.73	17.16	19.81
1630	21.07	17.10	19.81
1700	32.23	18.45	21.11
1730	35.42	18.46	21.11
1800	32.16	17.16	19.81
1830	20.98	18.45	21.09
1900	18.30	17.15	19.80
1930	18.30	17.12	19.77
2000	18.02	17.12	19.77
2030	28.97	16.60	19.24
2100	28.96	10.65	10.65
2130	28.97	28.10	30.74
2200	20.20	28.10	30.74
2230	18.02	28.10	30.74
2300	17.73	18.45	19.09
2330	16.46	16.60	19.24
2400	16.22	13.65	16.30

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £19.98/MWh becomes 1.998p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-[illegible] between 8.30am and [illegible] Monday to Friday.
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OBITUARIES

KATHLEEN LITTLEJOHN, beloved mother, grandmother, and great-grand-mother, died peacefully in her ninetieth year on 27th August 1994. Family flowers only. Donations to the Princess Alice Hospice, Esher.

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Ansett Airlines helps lift TNT

By Nikki Tait in Sydney

A strong contribution from its 50 per cent interest in Ansett Airlines and continued improvements in core operations helped TNT, the large Australian transportation and package delivery group, to an equity-accounted profit after tax and abnormal items of A$105.1m (US$78m) in the year to end-June.

Group revenues were A$5.69bn, up from A$5.52bn previously.

The result compares with a loss of A$256.7m a year earlier, when TNT faced some heavy one-off charges.

In the latest period, abnormal items contributed an after-tax surplus of A$57m, partly due to gains on both asset sales and foreign currency movements at Ansett, in contrast to the 1992-93 charge of A$212.1m.

However, even at the trading level, there was an improvement. Operating profit before tax rose to A$127.5m from A$14.8m on an equity-consolidated basis, and edged up to A$45.8m from A$44.3m on a statutory consolidated basis.

TNT said the advance was largely due to the turnround at Ansett, and reduced losses in its GD Express Worldwide business, its express delivery joint venture.

The company said that full-year results at GD Express were still below expectations, having been hindered by aggressive competition, although the fourth quarter was in line with estimates.

It said that the better economic outlook in main markets, coupled with cost reduction measures, should "bring substantial financial improvement in the current year".

The core Australian business saw operating earnings improve "significantly", while Canada also showed "an exceptional turnround".

The UK business earned record profits, and Germany improved.

By contrast, TNT Spain saw losses mount, and no significant improvement is expected before the second quarter of the current year. Italy also remained difficult.

Interest charges last year fell to A$71.1m from A$93.6m, while the net debt to equity ratio fell to 0.92 from 2.18 at end-June.

Profit after tax and abnormals on the statutory consolidated basis was A$48.5m, compared with a loss of A$133.7m last time.

There is no dividend.

UK building society to securitise mortgages

By Graham Bowley

Bristol & West Building Society, the UK's 10th largest, is set to launch a commercial mortgage securitisation, the first by a UK society.

It intends to issue about £150m of listed bonds, equivalent to approximately 17 per cent of its commercial mortgage book, to help fund its commercial property lending business.

Bristol & West and Goldman Sachs, the US investment bank involved in setting up the deal, were unable to comment yesterday on the details and terms of the issue, which are expected to be announced next month.

However, Goldman Sachs said the issue was likely to be of floating-rate notes, involving sanior and sub-ordinated tranches.

The move was welcomed by industry analysts. "This particular transaction is an excellent prelude to the development of the securitisation market in the UK for building societies," said Mr Rick Abbott, director responsible for securitisation at Morgan Grenfell.

Securitisation is common in the US but is still at an early stage of development in the UK. It allows financial institutions to take loans off their balance sheets, removing the risk of default and freeing capital.

Bristol & West will place the commercial mortgages in a special-purpose vehicle which will sell the debt securities to investors. Interest on the "mortgage-backed" securities will be funded by the loan repayments.

Earlier this year, the Building Societies Commisaion issued draft guidance on securitisation, and in May, the Leeds Permanent Building Society raised £100m through a type of securitisation, based on residential mortgages. However, instead of selling securities in the public market, the Leeds used a pool of mortgages as collateral for a loan from a group of banks.

Other lenders, such as The Mortgage Corporation, have made extensive use of securitisation to fund their residential mortgage books, although activity has died down in recent years due to the weakness of the housing market.

Bristol & West said yesterday it had no plans to securitise residential mortgages.

Abnormal charges put MIM in red

By Nikki Tait

MIM Holdings, the Queensland-based metals and mining group, yesterday announced a A$195.1m (US$145m) loss after tax in the year to end-June, largely resulting from heavy abnormal charges. In the previous year, it had made a A$74m profit.

Revenues were A$2.31bn, np from A$2.02bn previously.

The abnormal chargea amounted to A$170m before tax last year, compared with A$80.8m in 1992-93.

In large part, they were due to the restructuring of MIM's interests in Germany and included a A$95m write-off of goodwill at the Duisburg zinc smelter, in which MIM has acquired a 100 per cent interest, and a A$50m provision for the reduced value of its investment in Berzelius Umwelt Service, the recycling business.

However, even at the pre-tax level, and before exchange differences, MIM made a much reduced profit of A$43.3m, compared with A$126.8m in the previous year, with an A$16.9m loss coming in the fourth quarter, against a loss of A$13.2m.

The company said it had not been a good year and it had been hit by lower metal prices. The average copper price, in Australian dollar terms, was down by 14 per cent from the previous year, while lead was 7 per cent lower, and zinc down by 9 per cent.

Higher volumes partly offset this effect but the rising Australian dollar diminished their impact.

MIM is paying a final dividend of 2.5 cents a share, after a similar interim.

TVB reports 70% profit rise

By Simon Holberton in Hong Kong

Television Broadcasts, Hong Kong's premier television company, yesterday surprised the stock market when it reported a 70 per cent increase in first-half net earnings to HK$278m (US$36m) from HK$163.5m.

The higher-than-expected profits at TVB were struck on turnover up nearly 36 per cent to HK$1.18bn from HK$871m in the previous half. Earnings per share of 66 cents were nearly 70 per cent up on last year.

The company said it had experienced strong growth in demand for advertising airtime and cited advertising directed at property investment in China as one of the main forces behind this.

TVB is seen as one of the strongest media companies in Asia. Recently Pearson, the UK group which publishes the Financial Times, entered negotiations to acquire 10 per cent of TVB. These have since stalled.

Mr Lau Siu-chuen, media analyst at Morgan Stanley, said there were a number of special factors which helped boost profits in the first half compared with a year earlier.

The most important of these was a change in the Hong Kong government's advertising royalties. A year ago the government took 12 per cent of TVB's advertising revenues but now takes 10 per cent. TVB, as with all other Hong Kong companies, has also benefited from a 1 percentage point cut in the corporate rate.

Mr Lau said he was holding to his full-year profits forecast of HK$626.5m. Lehman Brothers revised its expectations to HK$732m from HK$630m.

Sir Run Run Shaw, executive chairman, said he expected satisfactory growth in profits for the remainder of the year.

Directors declared an interim dividend of 20 cents a share, up 33 per cent on the corresponding period last year.

Fletcher Challenge posts improvement

Fletcher Challenge, the New Zealand-based forestry, energy and construction company, yesterday reported consolidated net earnings of NZ$675m (US$406m), including after-tax abnormal gains of NZ$367m, for the year to end-June, agencies report.

In the previous year, the group's net earnings were NZ$382m, including after-tax abnormal gains of NZ$79m.

Consolidated net earnings *excluding abnormal items* were NZ$308m compared with NZ$303m a year earlier. The result included taxation (excluding tax on the abnormal items) of NZ$35m, compared with a tax credit of NZ$120m in the previous year.

Fletcher Challenge also reported, for the first time, on full-year earnings of the Ordinary Division and the Forests Division, which were created last December. The two divisions are represented by separately listed shares, and dividend payments relate directly to the economic performance of the businesses within each.

Net Ordinary Division earnings for the year, including combination adjustments of NZ$58m, were NZ$649m. Included in this amount were net abnormal items after taxation of NZ$367m, relating mainly to the gains on the sales of *Wrightson and Methanex.*

Directors have recommended a final Ordinary Division dividend of 6.25 cents a share, making a total of 12.5 cents a share for the full year.

Forests Division net earnings were NZ$62m, with no abnormal items. Directors have recommended a final Forests Division dividend of 3 cents a share, making a total of 6 cents a share for the full year.

Budapest SE in talks on derivatives

The Matif, the French futures exchange, and the Budapest stock exchange (BSE) have signed a co-operation agreement to develop a derivatives market on the Hungarian exchange, writea Tracy Corrigan.

The FFr800,000 deal will be used to finance a feasibility study, and could lead to a FFr4m project.

Tha BSE lists Hungarian stocks and bonds and calculates a stock index, which could be used as the basis for a future.

The agreement was signed by Mr Gerard Pfauwadel, president of the Matif, Mr Lajos Bokros, BSE'a president, and Mr Luc Daboudet, chief executive officer of Maestro, a wholly-owned subsidiary of Matif which offers a range of exchange services.

INTERNATIONAL COMPANY NEWS DIGEST

Market surge helps Iscor jump by 81%

A surging local market and highar axport prices have allowed Iscor, South Africa's largest iron and steel company, to report a dramatic improvement in earnings after four years of decline, writes Mark Suzman in Johannesburg.

Attributable earnings for the 12 months to June rose by 81 per cent to R512m ($113m), up from R283m a year ago.

Turnover for the year rose 9 per cent to R9.82bn. Iscor also reported a positive cash flow for the first time since it listed four years ago.

Net debt dropped R401m to R1.72bn from R2.1bn while the debt/equity ratio improved to 24.9 per cent from 33.2 per cent.

Mr Hans Smith, managing director, said a 6.4 per cent increase in local sales volumes *had fuelled the rise. He also* noted that the decline in the rand/dollar exchange rate had combined with an improved steel price to increase export earnings.

Mr Smith said overall costs had been reduced and capital expenditure had fallen 20 per cent to R498m, from R622m.

Asian deal for Goodman Fielder

Goodman Fielder, the Australian food group where dissident shareholders are trying to push through board changes, yesterday announced a joint venture deal with Indonesia'a Sinar Mas and Risjadson groups, targeted at the country's snacks market, writes Nikki Tait.

Goodman said it would invest A$20m (US$15m) in the venture over a five-year period via its Bluebird Foods subsidiary in New Zealand, and take a *50 per cent stake in Smar*tindo Kencana, a snacks manufacturer.

Initially, Bluebird will "part-manufacture" snacks products for export to the joint venture. The aim is eventually to develop local production.

Bakrie profits rise to Rp42bn

Bakrie & Brothers, an Indonesian holding company with interests in steel pipe production, telecommunications and plantations, said its unaudited first-half net income rose to Rp41.99bn ($1.93m) from Rp3.76bn a year earlier, writes Manuela Saragosa in Jakarta.

The company's profits were boosted by a one-time gain of about Rp38bn from the sale of 30 per cent of its Bakrie Electronics unit to PTT Telecom of the Netherlands.

Sales climbed to Rp273bn from Rp99.6 billion in the *year's earlier period.*

Taiwan computer firm impresses

First International Computer, Taiwan's biggest manufacturer of computer motherboards, posted net first-half profits of T$252.6m (US$9.6m), up 79 per cent from a year earlier, writes Laura Tyson in Taipei.

Revenues rose to T$6.59bn from T$5.51bn during the first half of 1993.

Other Taiwan companies reporting included:

Tuntex Distinct, a construction company and maker of man-made fibres, posted net profits of T$876.1m for the year to June 30, up 99 per cent from a year earlier.

Revenues rose to T$5.24bn from T$4.33bn during the same period in 1993.

Teco Electric and Machinery, maker of electrical machinery and appliances, *posted first-half net profits of* T$1.44bn, np 36 per cent from a year earlier.

Revennes climbed to T$9.76bn from T$7.5bn during the same period in 1993.

Taiwan Semiconductor Manufacturing, the country's largest semiconductor maker, posted T$3.7bn in net profits for the year to June 30, up 160 per cent from a year earlier.

Revenues climbed to T$8.8bn from T$5.0bn during the first half of 1993.

The company, in which Dutch electronics group Philips holds a 38 per cent stake, is to list on the Taiwan stock exchange on September 5.

Pacific Electric Wire and Cable, one of Taiwan's biggest copper rod and telecommunication cable makers, posted net profits for the year to June 30 of T$456m, compared with T$102m a year earlier. Turnover climbed to T$6.94bn from T$6.42bn in 1993.

INTERNATIONAL CAPITAL MARKETS

European sector waits for the Bundesbank

By Antonia Sharpe in London and Frank McGurty in New York

European government bond markets were uneventful as dealers marked time before the Bundesbank's council meeting today. Most markets moved in a narrow trading range and volume remained thin.

Analysts view today's Bundesbank meeting as the last chance for it to announce any changes to official interest rates before the German federal elections in October. However, apart from a possible return to a variable-rate repo, the market does not expect the Bundesbank to make any policy changes.

On Liffe, the September bund future moved between a high of 91.99 and a low of 91.66 before trading at 91.79 in the late afternoon, down 0.19 points on the day.

The prospect of a large supply of government bond issuance also prevented bond prices from recouping tha losses they had made the previous day in the wake of the unexpected base rate rise by leading French banks.

France is expected to seek around FFr20bn through an auction of 10-year paper today and Italy is hoping to raise around L14,000bn this week. Spain is also issuing paper with three, five and 10-year maturities.

Dealers said the disappointing reception given to the Dutch government bond auction this week showed that investors remained reluctant to buy bonds. Sales of the Dutch 7.25 per cent bond reached Fl 6.4bn after three days of snbscription, during which the government had to reduce the price of the bonds twice.

On the Matif, the notional French government bond future was virtually unchanged in the late afternoon, up just 0.02 at 113.30.

■ The UK government bond market opened with an easier bias following the early morning leak of the results of the survey of UK purchasing managers, published by the Chartered Institute of Purchasing and Supply. The survey showed that the price index rose to a seasonally adjusted 73.7 per cent last month, up from 73.2 per cent in July.

Although the shorter end of the yield curve remained nervous ahead of next week's publication of minutes of the monthly meeting between the chancellor and the Bank of England governor, longer-dated gilts showed marginal gains. On Liffe, the December long gilt future, which ssw higher volume levels than the September contract as traders rolled their positions forward, rose 1/8 to 101 11/32.

Mr John Shepperd, chief economist at Yamiachi, said that although the undertone to the market remained bullish, higher volume was needed to drive prices higher.

GOVERNMENT BONDS

■ US bond prices slipped yesterday morning on fresh evidence of inflationary pressures, as traders ignored conflicting data suggesting a decline in economic activity.

By midday, the benchmark 30-year government bond was 3/8 lower at 100 5/8, with the yield rising 7.48 per cent. The two-year note was off 1/32 at 100¼, to yield 6.166 per cent.

The market stumbled after several strong sessions when confronted by a mixed bag of economic indicators.

The Purchasing Management Association of Chicago revealed that its August prices-paid index had jumped to 79.3 per cent, from 71.9 per cent the previous month. Even though the trade group also reported a slight dip in overall business activity, the market was concerned about the possibility of higher prices feeding into the consumer sector.

The Commerce Department supported the suggestion of a cooling economy with data showing e 2.3 per cent drop in July factory orders. But the market chose to ignore that news, too.

As a result, bonds across the yield curve sagged. But trading conditions remained very thin, which probably exaggerated the move lower.

Many traders are either on holiday this week or are staying on the sidelines until the release of monthly employment data on Friday.

Flexible options play blamed for Dow rally

An 18-month-old derivative product caught the attention of Wall Street last week when a respected money manager's options play, representing a mere \$100m in underlying stock value, was blamed for igniting a 70-point rally in the Dow Jones Industrial Average on Wednesday afternoon.

Insiders scoff at the idea that such a small options play could move the market so substantially.

However, the event and subsequent publicity have created an awareness that a new and fast-growing variety of exchange-traded options might introduce a new sort of volatility into stocks.

Mr William Mullen, managing director of Loomis, Sayles and Company, a firm that manages money for a variety of pension funds, was reported to be engaged in a portfolio enhancement strategy that has been popular over the last nine months because it works best in markets that are static or whicb are on a downwards trend.

Known in the industry as "index overwriting", it involves writing, or selling, call options on popular stock indices like the Standard & Poor's 100 or 500 for the income the options sale generates.

Over the past year, derivatives traders say, sucb call writing could have added a full 1 per cent of return on a fund's investments.

The calls sold are generally 5 per cent or more "out of the money", meaning that the underlying index would have to rally by at least 5 per cent to give the calls any valne to their buyers.

The strategy works best with "short-dated" options that expire six to eight weeks after they are sold, since research has shown that the stock market rarely rallies by 5 per cent to 7 per cent in most 45- to 60-day periods.

The call writer faces a loss only if the market rallies and throws the options "into the money" by expiration.

The strategy is best applied using flexihle exchange options, or "flex" options, a product introduced to the world by the Chicago Board Options Exchange in early 1993.

Flex options are the exchange's answer to competition from over-the-counter structured instruments. They allow traders to tailor their own options terms, including expiration dates, and have a \$10m minimum transaction size.

DERIVATIVES

Until flex options were introduced, all US exchanged-traded options expired either once a month, or quarterly.

Index overwriters like Mr Mullen tend to stagger their flex options call writing to ensure a steady stream of premium income, making just about any day an options expiration day.

When conditions are right, options expirations preseot sophisticated derivatives traders with attractive arbitrage opportunities.

This was best observed in the late 1980s, when the "triple witching" quarterly expirations of stock index futures, stock options, and stock index options often caused the US stock market to pitch and roll in the final hour of that day's trading.

Regulators tamed those quarterly events by staggering the expiry times of the three types of instruments, and the New York Stock Exchange began publishing lists of stocks for which there are derivatives-related order imbalances on any important expiration day.

In last week's case, traders say a stock market rally had put the flex options calls that Mr Mullen wrote at the American Stock Exchange close to the money, and that related stock and futures purchases by people on the opposite side of his trade helped stock prices shoot up, causing him to take a loss.

Mr Rob Merrilees, a managing partner with G-Bar corporation, a Chicago-based trading firm that specialises in equity-linked derivatives, said tbat while flex options have become increasingly popular with institutional investors, they are still sucb a small part of the market that it would be unlikely for tbem to be to blame for underlying stock market volatility.

"Their size by comparison just pales next to the options and futures that expire on a monthly and quarterly basis," be says.

Mr David Hall, vice-president for institutional marketing at the Chicago Board Options Exchange, says there were flex options contracts representing about \$13.5bn in underlying stock value open at bis exchange at the beginning of the week.

That is about double the amount represented by the flex products a year ago, and institutional interest continues to grow.

Other exchanges, such as the American and Philadelphia Stock Exchanges and the Chicago Board of Trade, have adapted the flex options concept to their own products, and the London International Financial Futures Exchange is seriously considering launcbing flexible exchange options products.

Laurie Morse

Opportunities in lire tempt borrowers

By Graham Bowley

The Eurobond market saw a number of small, mainly retail-driven offerings yesterday in a variety of currencies, continuing the trend of recent days.

INTERNATIONAL BONDS

The Italian lira market saw several offerings. Borrowers are being tempted into lire by profitable arbitrage opportunities caused by high investor demand, syndicate managers said, and investors by historically high coupon levels and the flatness of the yield curve in the three to 10-year area.

However some syndicate managers questioned the timing of these deals in the lira market, which they said is nearing saturation point.

Néstle Finance Franca launched a L150bn offering of two-year bonds with a coupon of 11 per cent, which lead manager Swiss Bank Corporation said performed well, despite aggressive pricing.

In the dollar sector, Okobank launched a \$150m offering of perpetual bonds callable after five years and yielding 150 basis points over six-month Libor for the first five years, and 300 points over thereafter.

Syndicate managers said the deal was well priced and performed well. Lead manager Goldman Sachs said the issue was mainly bought by institutional investors although there was also good retail demand.

SNCF, the French national railway, tapped the D-Mark market for the first time in 11 years with a retail-driven DM300m offering of five-year bonds aimed at Swiss and Benelux investors.

The National Bank of Hungary came to the Swiss franc market for the first time this year with an issue of SFr150m five-year bonds, increased from SFr100m, offering a coupon of 8¼ per cent. The bonds were sold primarily to banks with strong retail distribution in continental Europe, lead manager Merrill Lynch said.

Argentina is expected to come to the Eurobond market in the next few days, in a deal lead-managed by Paribas Capital Markets, with an offering of C\$100m three-year bonds.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Okobank(a)‡	150	(a1)	100.00R	undated	1.00R	-	Goldman Sachs International
YEN							
DSL Bank★	35bn	4.38	100.15	Sep.1999	0.25	-	Nomura International
Swedish Export Credit(b)	20bn	(b1)	99.99R	Sep.1997	0.60R	-	Yamaichi Intl.(Europe)
Nikon Corp.(c)★	10bn	4.85	100.15	Dec.2001	undisd.	-	Mitsubishi Finance Intl.
Province of Ontario	10bn	4.43	100.00	Sep.1999	undisd.	-	Kidder Peabody Intl.
D-MARKS							
SNCF	300	6.75	99.79R	Sep.1999	0.25R	+15(6¼%-99)	CSFB-Effectenbank
ITALIAN LIRE							
Rabobank Nederland	225bn	11.25	101.675	Oct.1999	1.875	-	Swiss Bank Corp.
ABB Finance	150bn	11.40	101.22	Oct.1997	1.375	-	Banca Commerciale Italiana
Nestlé Finance France	150bn	11.00	101.275	Oct.1996	1.125	-	Swiss Bank Corp.
SWISS FRANCS							
National Bank of Hungary	150	8.25	101.825	Oct.1999	2.00	-	Merrill Lynch Capl.Mkts.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Unlisted. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Callable on coupon dates after 5yrs at par. a1) 6-mth Libor +150bp for 1st 5yrs & +300bp thereafter. b) Callable on 29/9/95 at par. b1) 3% to 29/9/95 and 3¼% thereafter. c) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		8.000	08/04	87.6200	-0.130	9.37	9.36	9.52
Belgium		7.250	04/04	92.3800	-0.470	8.42	8.43	7.88
Canada *		6.500	06/04	85.1000	-0.750	8.81	8.73	9.11
Denmark		7.000	12/04	88.1700	-0.130	8.79	8.90	7.98
France	BTAN	8.000	05/98	102.3750	-	7.21	7.28	8.58
	OAT	5.500	04/04	84.5300	+0.120	7.84	7.84	7.18
Germany Bund		6.750	05/04	98.7100	-0.260	7.28	7.29	6.76
Italy		8.500	04/04	82.3000	-0.300	11.61†	11.58	10.50
Japan	No 119	4.800	06/99	102.5020	-0.170	4.16	3.95	3.77
		4.100	12/03	95.7760	+0.080	4.76	4.66	4.50
Netherlands		6.750	01/04	89.8800	-0.160	7.27	7.31	6.83
Spain		8.000	05/04	82.4300	-0.470	11.02	11.01	10.12
UK Gilts		8.000	06/99	90-22	+1/32	8.33	8.43	8.09
		6.750	11/04	88-05	-	8.50	8.64	8.28
		8.000	10/08	103-27	-2/32	8.52	8.65	8.36
US Treasury *		7.250	08/04	100-10	+1/32	7.20	7.28	7.12
		7.500	11/24	100-08	-2/32	7.40	7.52	7.45
ECU (French Govt)		6.000	04/04	84.5000	-0.300	8.40	8.43	7.70

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
Prime rate	7¾	One month	4.48	Two year	6.18
Broker loan rate	6⅝	Two month	4.61	Three year	6.45
Fed.funds	4 21/32	Three month	4.86	Five year	6.84
Fed.funds at intervention	5	Six month	5.07	10-year	7.21
		One year	5.55	30-year	7.49

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	113.34	113.48	-0.40	113.64	113.16	138,149	93,711
Dec	112.46	112.58	-0.40	112.74	112.32	12,514	46,879
Mar	111.90	111.94	-0.40	111.90	111.74	164	4,080

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Oct	Calls Dec	Calls Mar	Puts Oct	Puts Dec	Puts Mar
113	1.12	1.90	-	1.54	2.33	-
114	0.65	1.37	-	-	2.82	-
115	0.34	0.95	1.38	-	-	-
116	0.15	0.63	-	-	-	-
117	0.06	0.39	0.75	-	-	-

Est. vol. total, Calls 9,346 Puts 29,216. Previous day's open int., Calls 172,700 Puts 348,702.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.80	91.75	-0.23	91.99	91.66	85760	108439
Dec	90.94	90.94	-0.22	91.16	90.85	14617	45168
Mar	90.55	90.39	-0.07	90.55	90.55	25	520

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
9050	0.96	1.31	1.56	1.74	0.52	0.87	1.12	1.85
9100	0.67	1.04	1.28	1.49	0.73	1.10	1.34	2.10
9150	0.43	0.79	1.02	1.26	0.99	1.35	1.58	2.37

Est. vol. total, Calls 1169 Puts 3702. Previous day's open int., Calls 135086 Puts 136173

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	97.35	-0.17	-	-	0	75
Dec	-	-	-	-	-	0	0

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.40	100.40	0.59	100.43	99.15	47548	49272
Dec	97.86	98.57	0.37	98.60	97.60	18055	33361
Mar	-	96.25	0.50	-	-	0	100

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
9850	2.63	2.99	2.58	5.24
9900	2.37	2.80	2.80	5.55
9950	2.12	2.62	3.05	5.87

Est. vol. total, Calls 318 Puts 1255. Previous day's open int., Calls 4767 Puts 6810

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	87.99	87.80	-0.74	88.10	87.57	45,335	98,435
Dec	87.01	86.65	-0.68	87.01	86.38	5,416	16,593

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	101-24	102-00	-0-03	102-13	101-19	28133	60064
Dec	101-14	101-19	-0-01	101-31	101-04	48288	80937
Mar	-	100-31	-0-01	-	-	0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
101	2-26	3-03	1-54	3-05
102	1-58	2-38	2-20	3-40
103	1-29	2-12	2-55	4-14

Est. vol. total, Calls 350 Puts 1400. Previous day's open int., Calls 8852 Puts 13614

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	81.40	81.48	-0.30	81.62	81.20	1,445	5,992
Dec	80.84	80.96	-0.28	80.96	80.78	1,150	1,437

US

■ US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	103-15	103-14	-0-01	103-10	103-10	224,022	257,151
Dec	102-23	102-20	-0-02	102-27	102-17	60,930	173,762
Mar	102-00	101-28	-0-01	102-01	101-27	761	8,373

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Sep	107.84	-	-	107.80	107.63	309	0
Dec	106.65	-	-	106.80	106.59	1951	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Aug 31	Day's change %	Tue Aug 30	Accrued interest	xd adj. ytd		Low coupon yield Aug 31	Low Aug 30	Low Yr. ago	Medium coupon yield Aug 31	Medium Aug 30	Medium Yr. ago	High coupon yield Aug 31	High Aug 30	High Yr. ago
1 Up to 5 years (24)	116.99	+0.09	119.88	1.32	8.01	5 yrs	8.39	8.42	6.33	8.49	8.51		8.63	8.65	8.65
2 5-15 years (21)	140.29	+0.12	140.11	2.10	8.68	15 yrs	8.41	8.42	7.01	8.54	8.55		8.79	8.80	7.40
3 Over 15 years (9)	155.96	+0.09	155.83	0.83	9.81	20 yrs	8.38	8.39	7.15	8.64	8.55		8.65	8.66	7.42
4 Irredeemables (6)	178.83	+0.14	178.59	2.58	8.47	Irred.†	8.47	8.49	7.35						
5 All stocks (60)	137.25	+0.10	137.10	1.83	8.73										

Index-linked							Inflation 5% Aug 31	Aug 30	Yr. ago	Inflation 10% Aug 31	Aug 30	Yr. ago
6 Up to 5 years (2)	185.80	-0.03	185.86	0.86	3.95	Up to 5 yrs	3.71	3.88	2.52	2.82	2.59	1.73
7 Over 5 years (11)	174.37	-0.18	174.65	0.85	3.48	Over 5 yrs	3.76	3.74	3.25	3.57	3.55	3.08
8 All stocks (13)	174.67	-0.16	174.82	0.82	3.49							

Debentures and Loans						5 year yield Aug 31	Aug 30	Yr. ago	15 year yield Aug 31	Aug 30	Yr. ago	25 year yield Aug 31	Aug 30	Yr. ago
9 Debs & Loans (75)	128.93	-0.12	129.08	2.33	7.40	9.58	9.56	7.72	9.51	9.50	8.06	9.45	9.43	8.20

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Aug 31	Aug 30	Aug 26	Aug 25	Aug 24	Yr ago	High*	Low*
Govt. Secs. (UK)	91.98	91.74	92.03	91.80	91.27	102.56	107.04	90.89
Fixed Interest	109.59	109.64	109.38	109.18	108.85	125.20	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Aug 30	Aug 26	Aug 25	Aug 24	Aug 23
Gilt Edged bargains	82.1	76.7	75.5	74.4	78.0
5-day average	77.3	77.5	80.2	82.0	86.3

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on August 31

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	91⅞	92⅛	+⅛	7.81
United Kingdom 7¼ 97	5500	101⅛	101⅞		6.48
Volkswagen Intl Fin 7 03	1000	98	98¼	-½	7.64
Abbey Natl Treasury 0 03 £	1500	92¼	92½	-⅛	9.34
Alliance Leics 11⅛ 97 £	100	105⅝	107⅛	-⅛	8.47
[illegible]					

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Shorts" (Lives up to Five Years)						
Treas 9pc 1994‡‡	8.99	5.24	100¼	-1/16	103 [illegible]	100¼
12pc 1995	11.71	5.58	102½		107 [illegible]	102½
Exch 3pc Gas 1990-95	3.05	5.57	98 [illegible]		98 [illegible]	97¼
10¼pc 1995	9.92	6.96	103 [illegible]		107 [illegible]	103 [illegible]
[illegible]						

Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Treas 11¾pc 2001-4	10.20	8.90	112¾xd	+⅛	128 [illegible]	110⅝
Funding 3½pc 1999-4	4.80	7.36	72 [illegible]	+⅛	86 [illegible]	71 [illegible]
Conversion 9½pc 2004	8.90	8.63	106 [illegible]	+⅛	125 [illegible]	103
Treas 6¾pc 2004‡‡	7.65	8.49	88 [illegible]	+⅛	105⅛	[illegible]
Conv 9½pc 2005	8.94	8.63	106¼	+⅛	125½	103⅞
Treas 12½pc 2003-5	10.26	8.85	121 [illegible]	[illegible]	143 [illegible]	118 [illegible]
[illegible]						

Notes		Yield (1)	Yield (2)	Price £	+ or -	1994 High	1994 Low
Index-Linked	(b)						
2pc '96	(67.9)	2.54	3.81	190 [illegible] xd	-1/16	203⅝	197 [illegible]
4⅝pc '98‡‡	(135.6)	2.71	3.50	107 [illegible]	-1/16	113 [illegible]	105 [illegible]
2½pc '01	(78.3)	3.29	3.70	165 [illegible] xd	-⅛	176⅝	163½
2½pc '03	(78.8)	3.40	3.73	161¼	-⅛	175⅝	159 [illegible]
4⅝pc '04‡‡	(135.6)	3.40	3.72	109	-⅛	118⅞	107⅞
[illegible]							

Other Fixed Interest

[illegible]

"Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

Housebuilders offer evidence of recovery

By Andrew Taylor, Construction Correspondent

Share prices of housebuilders rose sharply yesterday after companies reported that new house sales had recovered last month after a poor June and July.

Persimmon, the UK's eighth-biggest housebuilder, said it had sold 250 homes in August, 25 per cent more than August last year.

Ideal Homes, part of Trafalgar House, the construction, property, shipping and hotels group, also reported higher August sales than a year ago.

Wimpey, the UK's biggest housebuilder, which announces first-half profits next Tuesday, is also thought to have seen sales bounce back in August after falling in the first two months of the summer.

Mr Jeremy Withers Green, analyst at Credit Lyonnais Laing, said: "This shows that the housing recovery is still on track, while new homes are taking market share and selling better than existing houses and flats."

Persimmon, which yesterday announced a 34 per cent rise in interim pre-tax profits to £11.3m, saw its share price rise 10p to 262p. Barratt Development rose 12p to 210p; Berkeley Homes 15p to 430p and Wilson Connolly 17p to 234p.

Mr Duncan Davidson, Persimmon's chairman, said: "I believe the recovery is sufficiently entrenched to withstand an increase in interest rates of up to one percentage point – although I would prefer rates not to increase."

He said that Persimmon had increased net profit on each sale to £7,818 from £4,825 in the first six months of last year. This compared with a peak profit per house of £18,000 in 1988-89. The aim was to get this back to £10,000 a unit.

Rugby up 17% but sentiment clouded by trading warning

By Andrew Taylor, Construction Correspondent

UK cement sales rose by 8 per cent in the first six months of this year, according to Rugby Group which yesterday announced a 17 per cent rise in first-half profits to £35.6m, against £30.5m.

The building materials group, which now generates higher worldwide sales and profits from joinery than cement, increased its interim dividend from 1.425p to 1.5p.

Its share price fell 5p to 139p, however, on warnings from Mr Peter Carr, managing director, that trading conditions in the UK joinery business were becoming increasingly competitive.

UK cement profits rose by 11.4 per cent to £9.8m with turnover increased by 11 per cent to £64.5m. Cement sales were helped by increased housebuilding, a rise in infrastructure construction, and greater industrial building.

UK joinery sales increased by 16 per cent to £75.1m while operating profits rose by 19 per cent to £8.6m. This reflected sharp rises in raw material timber prices, which have risen by some 13 per cent during the past 12 months.

Mr Carr warned that profits could come under pressure if UK manufacturers continued to battle to increase market share.

UK metals profits increased by 55 per cent to £3.1m, on a sales increase of just 16 per cent to £67m. UK profits over the three divisions rose by 19 per cent to £21.5m.

Overseas profits increased by 21 per cent to £14.5m. Australian cement and lime profits, which rose 25 per cent to £7.4m, would have been almost flat but for £1.2m raised from land sales.

US joinery profits fell by a third to £1m due mainly to poor weather while European joinery profits increased to £4.9m (£2.6m) helped by new acquisitions.

● COMMENT

The cloud hanging over Rugby's share price yesterday was the prospect of further skirmishing between UK joinery manufacturers just as their raw material costs have soared. The pace of recovery in UK cement demand is also likely to slacken next year. The acquisition of Bunzl's US distribution business is rightly well regarded, but prospects elsewhere look a little dull compared with others in the sector. Annual pre-tax profits of £80m followed by £95m next time would put the group on a prospective p/e of 14 on 1995 earnings, which is dear enough.

Mowlem returns to black with £700,000

By Christopher Price

John Mowlem, the construction equipment and contracting group, moved back into the black, with interim pre-tax profits of £700,000 against a loss of £41.8m for the same period last year.

The results, for the six months to June 30, were the first since a financial restructuring in March, and showed all the group's divisions improving. Borrowing was all but wiped out by the proceeds of the £64m rights issue, and the disposal of the housebuilding division in July – sold to Beazer for £31m – has left the group cash positive. Turnover slipped £12m to £646m.

The SGB scaffolding hire arm showed the most marked improvement, with profits nearly tripling to £6.3m (£2.4m). Contracting moved from break-even to notch up profits of £700,000. Losses at the London City Airport fell by 33 per cent to £1.6m (£2.4m).

Earnings per share were 0.5p (38.4p losses). The company reiterated its intention to pay a final dividend of 2p.

● COMMENT

Shareholders who stumped up the £64m needed to stop Mowlem breaching its covenants six months ago will have been doubly relieved yesterday to see the group return to profitability, and the shares creeping above the 100p rights issue price. That the company has turned the corner is beyond doubt. This is reflected in analysts' pre-tax profit forecasts for 1995 which range from £11m to £18m – a handsome leap from the current year's £3m to £5m estimates. However, beyond this, market optimism begins to dry up. Few analysts share Mowlem's belief that it can achieve £40m annual profits, even in the medium-term. Even at the bottom of next year's forecasts, the prospective p/e is about 18 making the rating look very demanding.

Higher margins boost Persimmon

By Andrew Taylor, Construction Correspondent

Pre-tax profits of Persimmon, the UK's eighth largest housebuilder, jumped 34 per cent, from £8.44m to £11.3m, in the first six months of this year, helped by sharply higher sales and margins.

The housing operation on its own increased profits by 85 per cent, with last year's figures boosted by sale of advance corporation tax benefits of £2.36m.

Turnover advanced from £73.4m to £91.3m.

The interim dividend is increased from 2.8p to 3p, and is more than twice covered by earnings per share which rose from 6.7p to 7p.

The shares put on 10p to close at 262p yesterday.

Mr Duncan Davidson, chairman, said profit margins had risen substantially as the group had used up much of the expensive land it bought in the late 1980s. Sales incentives introduced during the recession had also been reduced, while new house prices had risen by a "few per cent".

Selling costs, which had risen from £1,500 per home in 1989 to £5,500 in 1992, had fallen to £3,700 by the first half of this year and were expected to fall to £3,000 next year.

Trevor Humphries

Duncan Davidson: land holdings increased to 16,500 plots

The number of homes sold during the first half had increased by 14.5 per cent, from 1,260 to 1,443. Persimmon expected to push up sales for the year as a whole from 2,771 to at least 3,250, rising to 4,000 next year.

Mr Davidson was confident that the slow recovery in the housing market would continue. The company, to satisfy its expansion plans, had increased its land holdings to 16,500 plots owned or controlled with planning permission. This compared with about 14,300 a year ago.

Persimmon expected to increase the number of plots to about 20,000 during the next 18 months. Mr Davidson said net borrowings as a result could rise to about £40m by the end of this year, equivalent to gearing of 20 per cent.

This compared with net cash of £6m at the end of June following the group's £50m rights issue in March.

● COMMENT

Persimmon's share price, which had underperformed the sector by about 7 per cent since the March rights issue, deserved to bounce back yesterday, helped by better news of August house sales. The margin improvement is encouraging, although the company is unlikely to recover to previous levels. The market, rightly, was perturbed about a further increase in the number of shares in issue, which has risen by 49 per cent since 1990. But the relative decline in Persimmon's rating looks to have gone too far for a quality builder with a strong land bank. Pre-tax profits of £30m, including ACT proceeds, would put the shares on a prospective p/e of 14.5, which looks cheap against the sector.

Provident Financial ahead 40% to £30.7m

By Alison Smith

Provident Financial, the personal loan and consumer finance group, yesterday reported a 40 per cent rise in interim pre-tax profits from £21.9m to £30.7m.

The dividend is raised by 37 per cent to 6.5p. The aim is that this should represent one third and the final dividend two thirds of the total for the year.

Almost all the profits increase came from the home collected credit business, where the pre-tax outcome for the six months to June 30 rose 39 per cent to £27.9m (£20.1m).

There was a 12 per cent increase in the amount of credit issued, reflecting a rise of about 6 per cent in the number of customers, which reached 1.1m, and a higher average loan at between £300 and £400. The group's central costs fell from £3.4m to £2.6m.

The home collection credit business saw a further reduction in the number of offices to 257, against 267 at the year-end, and a further cut of 46 in the number of staff to 3,404.

By contrast, the self-employed sales force increased by 170 to about 8,000. They deal mainly with tenants on council estates and act as agents collecting payments from borrowers' homes for the unsecured loans offered by the group.

Mr John van Kuffeler, chief executive, said the group was committed to a continuing programme of cost reduction.

The charge for bad debts rose by 4 per cent – a higher absolute amount than in the first half of 1993, but a lower proportion of the amount of credit issued.

The insurance division reported a 4 per cent increase in pre-tax profits to £5.5m (£5.8m), which came almost entirely from Provident Insurance, the underwriting operation. It specialises in areas of the market where competition from direct writers has not been so fierce, such as third party insurance.

Colonnade Insurance Brokers broke even; it made £528,000 last time.

● COMMENT

Not for the first time, Provident Financial has produced better-than-expected results. Now that it has had a full year of benefits from getting out of non-core businesses and stringent cost-cutting, the question must be whether this progress can be continued. The growth in loans is encouraging, but the scope for further reductions in costs must narrow eventually, slowing increases in profitability. Full-year pre-tax profits of about £80m would give it a prospective p/e of about 13.5. The business is moving in the right direction, but after a good run since the end of June the price looks about right.

Partco reveals three year expansion plan

By Peter Pearse

Mr Peter Redfern, managing director of Partco, said yesterday he wanted the group to double in size within the next two to three years, both by acquisition and organic growth.

His statement came as the independent distributor of automotive parts and equipment reported a 46 per cent rise in pre-tax profits from £2.01m to £2.93m for the six months to June 30. The advance prompted a 13p climb in the share price to 246p.

Turnover at Partco, which raised £20.7m at its flotation in March, rose 3.2 per cent to £65.6m (£63.5m), about 1 per cent of the total UK market, according to Mr Redfern. He added that inflation had a minimal effect in its market place.

Mr Chris Scott, finance director, said that sales had only risen 7 per cent in three years, but that the operating margin rose 17.1 points to 4.8 per cent. The group ascribed this to improved productivity and cost control.

Partco completes tomorrow the £2.41m acquisition of the 32-branch Woodhead RSR, which broadens the group's scope beyond cars and light commercial vehicles into trucks and buses.

Mr Scott thought Woodhead, which along with Partco's greenfield expansion increases the number of branches to 244, should be earnings enhancing in 1995. In the year to March 1994, Woodhead had operating profits of £629,000 on turnover of £19.5m. He added that there were still a further 200 locations into which the group could expand.

The group has £5.1m cash in hand. After a tax charge which Mr Scott expects to remain at 20 per cent for two more years, earnings grew 33 per cent to 8.4p (6.3p) per share. A maiden interim dividend of 2p is declared.

Guinness buys back Haig brand

By Roderick Oram

Haig, once the leading Scotch whisky in the UK, has returned to Guinness's drinks portfolio after eight years with Whyte & Mackay Group, a subsidiary of American Brands.

After Guinness took over Distillers in 1986, the Monopolies and Mergers Commission required Guinness to reduce its share of the UK Scotch market to 25 per cent by selling Haig and nine other brands to Whyte & Mackay.

Guinness retained Dimple Haig, the upmarket version famous for its "pinch" bottle, and the Haig brand elsewhere. It is the leading Scotch in Germany, Greece and Ireland.

A brand dating back to the 19th century, Haig was the UK market leader until the 1960s. It then suffered from a supermarket price war and competition from other whiskies such as Bell's, Teachers and Famous Grouse. Industry observers believe only some 30,000 cases of Haig were sold in the UK last year, compared with 3m for Bell's, the market leader.

"We have no plans to make it a major brand in Britain," Guinness said. "We will continue to focus on Bell's but there may be a niche marketing opportunity with Haig."

Guinness declined to give a value for the deal, but it is thought to be under £5m.

Coutts Consulting shares shed 25% on dim outlook

By Peter Pearse

Shares of Coutts Consulting yesterday shed 25 per cent of their value as the career consultancy, outplacement and residential training company reported disappointing first half figures.

The shares closed 22p down at 67p after Mr Stephen Johnson, chief executive, said he expected operating profits for the full year would fall below expectations and would only match the £1.52m of 1993.

Pre-tax profits emerged at £341,000 (losses £5.24m after exceptional costs of £6.41m). Turnover on continuing operations declined to £7.75m (£9.42m) with discontinued operations contributing a further £1.98m.

Operating profit from continuing activities was sharply down at £569,000 (£1.13m); discontinued activities incurred losses of £802,000.

Mr Johnson said the main cause of the decline was lower revenues from outplacement because of deferrals of large contracts.

He added that revenue damage in the first half would not now be repaired in the second.

Operating profits at the residential training division slid to £408,000 (£599,000).

Nevertheless, dividends are resumed via an interim of 0.4p, payable from earnings of 1.2p (losses 21.43p) per share.

Spurs victory takes shares to four-year high

By Tim Burt

Shares in Tottenham Hotspur yesterday climbed 19p to a four-year peak of 144p as the north London football club reaped the benefits of its successful league form.

About 45,000 shares were traded as the price jumped to its highest level since Mr Alan Sugar, chairman of the Amstrad electronics group, took a stake in the club in 1991.

Yesterday's rise, prompted by the club's third win in four games, boosted the value of Mr Sugar's 50.88 per cent holding to £11.7m.

Analysts were reluctant to forecast likely pre-tax profits for the year to May 31, due next Thursday, but predicted that operating profits before transfer fees and provisions could rise from £1.34m to about £2.5m.

The share price increase, meanwhile, lifted the company's market capitalisation by some 15 per cent to £23.1m – a threefold increase on the £7.6m value in 1991 when Mr Sugar joined forces with Mr Terry Venables, the former team manager, to mount a bid.

At that time, Mr Sugar and Mr Venables paid 75p a share for a 37 per cent stake.

First-quarter loss at GPA

GPA, the Irish aircraft leasing company which in August successfully strengthened its balance sheet with a $998m (£600m) aircraft lease portfolio securitisation (Alps 94-1) package, yesterday reported a net post-tax loss of $5m for the quarter to June 30. Losses in the year to March 31 1994 totalled $64m.

The package enabled GPA to meet the terms of the refinancing thrashed out with its bankers in October 1993.

Revenue for the quarter was $389m and cash inflow from operating activities was $293m, inclusive of net proceeds from aircraft sales of $109m. Respective figures for the year were $1.84bn and $1.26bn.

Shareholders' funds at June 30 were $182m against borrowings of $5.4bn. Cash balances stood at $291m, with undrawn facilities of more than $200m.

Mr Patrick Blaney, chief executive, said the trading performance reflected the continuing difficult trading environment. He was pleased that Alps 94-1 had agreed to acquire a portfolio of 27 aircraft over several months.

Hartstone 45% take-up

By Peggy Hollinger

Hartstone Group's investors have taken up less than half the available shares in the leathergoods and hosiery company's £30m rescue rights issue.

The group will still be able to meet its October deadline to repay £15m to lenders, however – a key element of its recent refinancing.

The issue was underwritten by J Henry Schroder Wagg, the merchant bank, and sub-underwritten by several institutions.

After the rights, Schroders will control 13.8 per cent of Hartstone, either directly or through funds under discretionary management.

Hartstone announced yesterday that acceptances had been received for 44.66 per cent of the 215.64m shares on offer in the 2-for-1 cash call at 15p. However, it put a brave face on the outcome, and pointed to the fact that the shares closed ½p down at 16p, above the rights price.

Hartstone's annual meeting to approve the accounts will be held in High Wycombe today.

Louis Newmark cuts deficit to £896,000

Louis Newmark, the engineering and specialist equipment group, reduced pre-tax losses from £1.58m to £896,000 in the year to April 2. The result is in line with interim expectations with the second half loss coming down from £689,000 to £258,000.

Mr John Newmark, chairman, said that the first half loss for the present year was likely to be similar to the same period last time. But he said that he would expect a generally improved trading situation to show through in the second half.

Turnover rose from £23.9m to £26.8m, helped particularly by a 39 per cent increase in watch sales from £4.71m to £6.53m.

Losses per share were 21.3p (53.8p) and again no dividend is recommended.

Waterglade talks to rebels

By Caroline Southey

Waterglade International, the lossmaking property developer, announced yesterday it was holding talks with rebel shareholders who have been seeking to oust the board.

Mr David Cunningham, chairman, said the board was seeking "an amicable solution" to the company's problems.

The board overcame attempts by rebel shareholders to have it ousted by cancelling an EGM on August 18 on a technicality.

The meeting had been called by rebel shareholders, led by Mr Winston Ng, to instal a new board which would include Mr Ng, Mr Anthony Midgen and Mr Selwyn Midgen.

Mr Anthony Midgen said counter proposals made by the board last week had been rejected, but he hoped for a further meeting soon.

Irish Continental cuts loss

By John McManus in Dublin

Irish Continental Group, the ferry and freight company, reduced interim losses by 35 per cent to I£3.45m (£3.42m) as a result of increased passenger and roll on-roll off freight traffic across the Irish Sea.

Turnover grew by 18 per cent to I£46m in the six months to the end of April, reflecting increased carryings of cars and freight. There was also a first time contribution from the charter of the MV Pride of Bilbao super-ferry which ICG acquired for I£56m last November and is chartered to P&O.

ICG traditionally incurs a loss in the first half of the year since the tourist season coincides with the second half.

"It is primarily on the Irish Sea that we are seeing growth," said Mr Eamonn Rothwell, managing director. The ferry division increased turnover by 18 per cent to I£31.7m, and the seasonal loss improved from I£4.7m to I£2.9m.

However, the group's freight capacity on the Irish Sea remains constrained by the size of its fleet. "There is frustrated demand on the freight side," according to Mr Rothwell. ICG plans to introduce a new I£46m super-ferry on the Irish Sea routes in 1995. The ship is currently under construction in the Netherlands and the cost is being met through bank borrowing and the proceeds of a I£29.2m rights issue last March.

Mr Rothwell said the group was experiencing increasing competition on its routes to France from the Republic of Ireland, with its main rival Brittany Ferries increasing capacity on these routes.

The container division, which includes a 25 per cent stake in Bell Lines, the shipping company, increased turnover by 16 per cent to I£14.5m for operating profits of I£1.5m, including I£200,000 from Bell. ICG has ended its freight joint venture with Pandora on the Dublin to Liverpool route as it was not making a significant contribution.

Mr Rothwell declined to comment on the company's full-year performance, saying that a clear picture would not emerge until after the end of the tourist season. The company declared an interim dividend of 1.2p (0.97p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Coutts Consult	int	0.4	Dec 16	nil	-	nil
Domnick Hunter	int	1‡	Oct 14	-	-	-
Irish Conti	int	2†¶	-	1	-	3
JF Utilities	fin	2.4	Oct 14	-	7.2	-
Johnston Press	int	2.75†	Nov 10	2.5	-	7
Mowlem (John)	int	nil	-	2	-	2
Pacific Horizon	fin	0.11	Oct 31	-	0.11	-
Partco	int	2	Nov 25	-	-	-
Persimmon	int	3†	Oct 17	2.8	-	9
Provident Fin	int	6.5	Nov 11	4.75	-	16
Paton §	int	1.1	Oct 17	1	-	2.9
Ropner	int	3.5†	Dec 30	3.5	-	8.25
Rugby	int	1.5	Nov 18	1.425*	-	3.385*
Serco	int	1.25	Oct 20	1.06*	-	3.4*

Dividends shown pence per share net except where otherwise stated. †On increased capital. *Equivalent after allowing for scrip issue. §USM stock. ‡Special payment. ¶Irish pence.

PUBLIC WORKS LOAN BOARD RATES

Effective August 31

Years	Quota loans* Lower* quota rates EPT†	AT††	maturity§	Higher* quota rates EPT†	AT††	maturity§
1			6½			8⅝
Over 1 up to 2	8¼	6⅝	7⅝	6⅞	6⅞	7¾
Over 2 up to 3	7⅞	7¾	8¼	7½	7½	8⅜
Over 3 up to 4	7⅞	7⅞	8½	8	8	8⅝
Over 4 up to 5	8¼	9¼	8⅜	8¼	8⅜	8⅞
Over 5 up to 6	8⅜	8⅜	8⅝	8½	8½	9
Over 6 up to 7	8½	8½	8⅞	8⅝	8⅝	9⅛
Over 7 up to 8	8⅝	8⅝	8⅞	8¾	8¾	9⅛
Over 8 up to 9	8⅝	8¾	8⅞	8¾	8⅞	9¼
Over 9 up to 10	8¾	8¾	8⅞	8⅞	9	9¼
Over 10 up to 15	8⅞	8⅞	8⅞	9⅛	9¼	9¼
Over 15 up to 25	8⅞	8⅞	8¾	9¼	9¼	9⅛
Over 25	8¾	8⅞	8⅝	9⅛	9	9

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). §With half-yearly payments of interest only.

Artisan closure behind Spring Ram deficit

By Andrew Bolger

Spring Ram, the Yorkshire-based kitchen, bathrooms and furniture group, is to close its lossmaking Artisan Tile factory in Bradford.

The new management, appointed after institutional investors forced a boardroom shake-out last year, said intense price competition from imports was likely to prolong the losses at Artisan, which started production in 1992 and lost £1m in the last six months. It employs 95 people, but the group hopes to redeploy ebout 30 of the workforce.

An exceptional charge of £2.5m for the closure pushed Spring Ram to e pre-tax loss of £1.1m for the six months to July 2. This compared with losses of £34.4m last time, which included £30.3m of write-offs and charges.

The group incurred an operating profit of £2.2m, compared with losses of £4.8m. Sales rose by 11 per cent to £18m.

Mr Roger Regan, chairman, said: "The deflationary pricing conditions both in our home and international markets and in the UK economy as a whole, coupled with the first signs of increased raw material prices, make internal improvements in efficiency and productivity all important."

Spring Ram's kitchen division, its biggest and most profitable business, increased sales by 8.5 per cent to £62.6m, and operating profits rose from £4.7m to £6m. After a good first quarter for the division as a whole, the rate of sales growth in the UK home improvement market was checked in the second half of May and June.

Tony Andrews

Roger Regan: economic conditions mean a tough year ahead

Sales in the bathroom division fell to £28.3m (£29.7m), but the elimination of lossmaking activities enabled the division to report operating profits of £100,000, compared with a loss of £3.2m last time.

The special prodncts division, which includes Artisan, increased sales from £14.9m to £21.5m and cut operating losses from £7.1m to £4.7m. Turnover rose at Regency Doors, while operating losses fell.

Stag, the group's furniture business, increased sales by 21 per cent to £15.8m. Operating profits remained static at £800,000 as the group invested in new products for its living and dining room ranges.

Losses per share were 0.9p, compared with losses of 10.4p last time.

● **COMMENT**

The new team at Spring Ram continues to make progress, but the sluggish trading environment and costlier raw materials mean they face e hard slog. Closure of Artisan will disappoint, but the losses could scarcely be maintained – the whole venture will have cost the group £9.5m since start-up, including the latest £2.5m exceptional charge. Analysts expect operating profits of about £6m this year, but all eyes are on 1995 and 1996 when profits could bounce back to £18m and more than £30m respectively. The shares, down 1½p to 51p, are on a sky-high multiple of 36 this year, but that falls to 16 for 1995 and below 10 for 1996. They remain an attractive recovery play.

Domnick Hunter advances to £2.6m

By Andrew Bolger

Domnick Hunter group, the filtration and gas separation company floated in March, increased pre-tax profits by 29 per cent to £2.6m in the six months to June 30.

The results, coupled with an upbeat trading statement, bolstered the Tyneside-based group's status as one of the most attractive of recent flotations. The shares, launched at 200p, yesterday closed 10p higher at 260p.

Sales rose by 17 per cent to £17.7m. The pre-tax figure was flattered by reduced interest charges after flotation; the underlying performance showed in operating profits, ahead 21 per cent at £2.72m.

Mr Brian Thompson, executive chairman, said: "A strong level of orders and sales continues into the second half and there is every indication that this situation should prevail for the remainder of the year."

The industrial division, which makes dryers and filters for compressed air and gases, benefited from an uplift in market confidence. In particular, sales of compressed air dryers were strong. Operating profit rose 27 per cent to £2.67m, on sales of £13.5m, up 18 per cent.

Mr Thompson said the group's new nitrogen generators were attracting "tremendous" interest. Sales increased by 50 per cent to £660,000 and there was "huge" scope for the generators, which produce nitrogen gas from compressed air at a fraction of the cost of cylinder supplies. A £2.5m extension to the industrial division's Birtley plant will increase space by 50 per cent.

He said the process division – which filters pharmaceuticals and liquids using sophisticated membranes – was still in the evolutionary phase of its development. Sales rose 14 per cent to £4.2m, but investment in an overseas sales network was behind a fall in operating profits from £151,000 to £51,000.

Fully-diluted earnings per share improved to 3.8p (3.02p). A special interim dividend of 1p is declared for the three-month period since listing.

● **COMMENT**

Analysts love this company, whicb ettracts plaudits such as "e little gem" and "one of the best small companies I have ever seen". Its products are market leaders and more than 60 per cent of sales are exported to more than 40 countries. The dryer business is going well, and the new nitrogen generators have tremendous potential. The process division is also seen as a sound investment, in spite of its present modest profits. Alas, all this quality comes at a price, and forecast full-year profits of £5.6m put the shares on a prospective multiple of 23 – s 45 per cent premium to the market. The shares are tightly held, but those who are lucky enough to have got on board still have no reason to sell.

British Steel talks

British Steel is in talks with AG der Dillinger Huttenwerke and Mannesmannrohren-Werke about setting up a joint venture involving large diameter welded pipe businesses.

Serco buoyed by organic growth

By Simon Davies

Shares of Serco firmed 14p to 297p yesterday as the facilities and contract management group reported sharp organic growth within a 38 per cent interim profits advance.

Turnover rose 46 per cent to £120m (£82.3m), with substantial new business gains helping existing operations expand sales by 21 per cent.

The pre-tax outcome increased from £4.35m to £6m, although 17 per cent of the increase came from three companies acquired in the second half of 1993.

Mr Richard White, chief executive, said: "We see the trend we've set for organic growth being maintained."

Defence continues to account for close to 30 per cent of sales, and Mr White said there was substantial scope for new contracts, as the Ministry of Defence continues its efficiency drive by contracting out to the privete sector.

Serco recently won the MoD contract for air traffic control at Gibraltar airport, in addition to winning the civil contract for e range of services at Liverpool airport.

Other new business included a new contract for maintenance of London's traffic signals, giving Serco maintenance responsibility for two thirds of the the capital's junctions. It also won a contract from Yorkshire Water for maintenance of its vehicles.

When Serco was listed, 10 per cent of its staff worked overseas. The figure is now closer to 30 per cent, as it has expanded primarily in the US and Asia Pacific, and is currently targeting Scandinavia and Germany.

Serco operates primarily under fixed rate contracts, of which about half are linked to an inflation index.

It remains sensitive to increases in wages, however, which form its largast cost.

Mr White said tbere were signs of increasing pressure on salaries, but be said that this was being fectored into contract tenders.

Serco is peying e 1.25p interim dividend, an increase of 18 per cent. Earnings per share rose 25 per cent to 5.6p (4.5p).

Johnston Press up by 11% to £6.7m

By James Buxton, Scottish Correspondent

Johnston Press, the Edinburgh-based group which owns weekly newspapers throughout Britain, increased pre-tax profits by almost 11 per cent to £6.67m, against £6.02m, in the six months to June 30. Turnover improved from £41.5m to £44.3m.

Mr Fred Johnston, chairman, said market conditions were generally improving bnt growth in advertising revenues varied between different business sectors and regions.

The group is to disengage from its printing businesses whicb lost £195,000 (£64,000). It hopes to sell the two companies – Wood Westworth at St Helens, Merseyside, and Yorkshire Communications et Wakefield, West Yorkshire – but if not they will be closed. A provision of £507,000 has been made against either course of action.

Opersting profit, which excludes the provision, was up 18 per cent at £6.96m (£5.9m).

The results included e two week contribution from Halifax Courier Holdings, acquired in June for £29.4m. This was the group's largest purchase and brought it its first daily newspaper, the Evening Courier in Halifax, as well as titles in West Yorkshire and ths Isle of Man. The acquisition will boost annual turnover by between £10m and £12m.

Among the group's otber newspaper interests, Scotland did well, with a strong rise in profitability. Newspapers generally improved their profitability in the north of England, the Midlands and Sussex.

Net borrowings were £2m et June 30, the group having been cash positive at the end of 1993. Gearing was 7.1 per cent.

Earnings per share rose from 12.9p to 13.9p. The interim dividend is raised to 2.75p, against 2.5p.

● **COMMENT**

The shares have fallen from a peak of 669p in recent months, partly because the market assumed that as e newspaper company it must be suffering in the national price war. In fact only 6 per cent of its revenue comes from newspaper sales, the bulk coming from advertising. Yesterday the shares advanced 15p to 605p in recognition of its good performance and relieble growth record. UBS, the house broker, is forecasting pre-tax profits of £15.4m for the current year, for earnings of 31.5p and a multiple of 19. That seems realistic.

Restructured Beckenham turns in loss of £2.6m

Beckenham Gronp, the USM-quoted heating and ventilation engineer which has recently undergone a capital reconstruction, reported s pre-tax loss of £2.6m for the six months to April 30.

The deficit, which compared with losses of £186,000 last time, reflected "continuing difficult trading conditions, the heavy cost of completing long-standing contract commitments, and damage inflicted by the financial crisis the group has experienced", the directors said.

Turnover fell from £17.4m to £13.4m and the pre-tax result was struck after an increased interest charge of £174,000 (£112,000). Losses per share emerged at 12.9p (3p).

Tha company slso announced it had sold its Contract Components subsidiary to Simco 651 for £2.5m cash.

The sale would enable the group to concentrate its resources on the core ductwork businesses and to develop its fire protection activities.

It was also necessary to maintain the company's working capital and reduce indebtedness, directors said.

Ropner improves 22% despite mixed showing

Ropner yesterday announced a 22 per cent expansion in interim profits despite a mixed performance by its property investment, engineering and shipping activities.

On turnover up 33 per cent to £12m, the pre-tax line for the six months to June 30 rose to £1.99m, against £1.63m.

Mr Jeremy Ropner, chairman, warned, however, that it would be "unrealistic to expect the second half to show the same degree of improvement".

The property division performed well, he said, reflecting improved values at the start of the year. Two properties were sold for £3.03m, some £660,000 above book value. The shipping side, which currentiy manages seven bulk carriers, lifted profits by 13 per cent to £899,000.

A dull spot was engineering, where demand had been irregular. "We have suffered from significant fluctuations and have had to make some hard decisions," Mr Ropner said.

The interim dividend is held at 3.5p on capital increased following the enfranchisement of the A capital. Earnings per share were 5.2p (4.2p).

Cairn falls 35% as oil price dips

By Peggy Hollinger

Low oil prices hit Cairn Energy, the Edinburgh-based oil and gas explorer which yesterday announced a 35 per cent drop in interim net attributable profits: to £415,000, compared with £641,000.

A 19 per cent decline in the average price of oil per barrel to $13.54 offset the benefits of a rise in production. Turnover increased by 2 per cent to £8.4m, while production rose by 370 barrels of oil equivalent per day to 4,936.

The results included a three-month contribution from the on-shore assets acquired from Kelt Energy for £6.7m.

Earnings were 0.64p (1.21p) and there is no dividend.

It is proposed to dispose of a further stake in Cairn Energy USA, the US snbsidiary, to raise a net £17.5m.

The UK group has over the last year been steadily selling shares in the US company to raise funds for exploration and to reduce debt. Including the proposed disposal, the group will have raised £33m from the share sales and issues since June 1993.

Cairn is proposing to sell 3.7m shares in CEUSA, redncing its holding from 54 per cent to 17.9 per cent. The resnlting stake would be worth some £15m.

Mr Bill Gammell, chief executive, said the group intended to use the proceeds of the sale to increase its production and reserve base outside the US.

Psion more than doubled at £2.9m

By Alan Cane

Psion, the supplier of hand-held computers and communications equipment, maintained its recovery with profits more than doubled at the half-way stage.

The pre-tax outcome for the six months to end-June was £2.92m, against £1.07m, achieved on turnover ahead 57 per cent at £28.3m (£18.1m). Earnings per share were 8.65p (3.41p); the interim dividend goes up 10 per cent to 1.1p.

The results were above market expectations and the shares improved 11p to close at 285p.

Psion makes e range of hand-held computers, including the Series 3 family, aimed chiefly at consumer markets and the HC range for corporate use.

Mr David Potter, chairman, said each prodnct area had shown good growth. Sales of the Series 3 and 3a jumped to £16.7m (£8.15m) while sales of HC products almost doubled at £3.6m (£1.88m).

The older and cheaper Organiser II products saw sales decline just 15 per cent to £4.05m. The datacommunications division turned over £3.69m (£2m). Psion is a leader in credit-card sized modems – devices used to allow computers to communicate over telephone lines.

Mr Potter said the company now had 1,500 retail outlets in the US including Radio Shack and Office Depot. The market had been adversely affected by the relative failure of other manufacturers' "personal digital assistants" using pen-based technology, however, and an advertising campaign aimed at establishing brand ewareness was planned.

Psion has cash of £842,000 and Mr Potter did not anticipate having to raise additional funds in the foreseeable future.

Prolific plans new trust

By Bethan Hutton

Prolific, the fund management subsidiary of Scottish Provident, is planning to launch its first investment trust to add to a range of unit trusts.

Prolific Income will be a UK income growth trust aimed at private investors, on similar linas to the existing Prolific High Income unit trust.

The unit trust yields about 3.3 per cent, and ranks 30 out of 94 funds in the sector over the five years to August 1, according to Micropal.

The public offer is due to open on September 22 and close on October 13. Shares will be issued at 100p, with launch expenses capped at 4.9 per cent. Warrants will be attached on e 1-to-5 ratio, and the trust will have an initial life of 10 years. The annual management fee will be 0.8 per cent.

NEWS DIGEST

Ryan losses deepen to £7.35m

Ryan Group, ona of the companies expected to bid for British Coal assets later this month, incurred pre-tax losses of £7.35m in the year to December 31, compared with e deficit of £3.31m in 1992, writes Michael Smith.

Operating profits were £3.17m (£3.86m) on turnover of £113m (£111m). Net interest payments fell from £5.9m to £5.06m, but losses on closure of discontinued operations amounted to £7.07m (£366,000).

IAF

in its first set of results since gaining a listing through its reversal into Greyfriars Investment Company, IAF Group reported pre-tax profits of £2.61m for the nine months to end-June.

The outcome compared with a profit of £2.02m for the previous 12 month period and was achieved on turnover of £6.81m, against £7.81m. IAF adopted the June year end at the time of the take-over.

Basic eernings per share emerged at 2.41p (1.86p), or 2.37p (1.87p) fully diluted.

Following the loss of its investment trust status, the company was left with e large adverse balance on the capital reserve eccount. It proposes to present resolutions at the forthcoming AGM to reorganise the sbare capital and reserves to correct this position.

Conditional upon these resolutions being passed, the directors propose to pay a nominal dividend of 0.1p.

Farnell

Farnell Electronics has sold Eurotec Optical Fibres to Schott-Glass.

The disposal will mean a £1.6m charge, which is principally goodwill arising from the original acquisition. Eurotec has sales of £3m and net assets of £1.4m.

Baring Emerging

Net asset value for the Baring Securities Emerging Markets Index Tracker Fund fell from $14.67 to $13.18 (£8.50) over the six months to the end of June.

Net realised gain over the six months was $746,570.

Rothmans Industries

Rothmans Industries' subsidiary, Rothmans of Pall Mall (Singapore), has sold buildings for M$185.3m (£47.5m) to Winwill Investment and Welwyn Investment, conditional on shareholders' approval.

The buyers will grant e tenancy of the buildings to RPMS until no later than February 1998.

The sale will result in an expected gain of M$163.4m.

Vision Express

Vision Express, the optical retailer, has concluded a £30m equity investment with GC Companies, Advent International Corporation and Bessemer Venture Partners giving them a total holding of 36 per cent.

In 1993 Vision reported pre-tax profits of £5.9m on turnover of £61m.

Greycoat

Greycoat, the property developer, has sold Regent Arcade House in Regent Street, London, to Threadneedle Property Fund Managers for £11.4m.

The purchase price reflects a net initial yield of 5.6 per cent and an equivalent yield of about 7 per cent.

Geest

Geest, the fresh produce and prepared foods company, has bought St Martins-Waltham Abbey from Hazlewood Foods for £6.5m cash.

St Martins-Waltham Abbey manufactures a range of dressed salad products, principally under customers' own labels. The acquisition includes Hazlewood'e Greek dip operation, which currently forms part of Forrester Foods. The combined businesses had an after-tax profit of £8,000 from turnover of £10.6m for the year to end-March, with assets of £5.6m.

Pacific Horizon

Net asset value at Pacific Horizon Investment Trust at July 31 was 49.65p per share, a rise of 19 per cent on the 41.74p of a year earlier.

Availabla revenue was almost trebled at £107,001, against £37,520. Earnings per share worked through at 0.26p (0.09p) and a final dividend of 0.11p (nil) is recommended.

JF Utilities

Net asset value per ordinary income share at Johnson Fry Utilities Trust was 98.1p at July 31, compared with 94.4p at July 14 1993, when the trust started trading.

Net revenue was £2.43m and earnings per ordinary share were 7.99p. A final dividend of 2.4p is recommended, making a total of 7.2p.

LME copper rally continues

By Richard Mooney

Copper prices continued their rally yesterday at the London Metal Exchange, reaching the highest levels since July's two-year peaks.

A burst of investment fund buying in mid-session took the three months delivery price through resistance around the $2,500-a-tonne mark, traders told the Reuters news agency. The price touched $2,520 a tonne before easing back to $2,509.50 at the close, up $39.75 on the day.

The aluminium market was also strong, aided by news of problems at Kaiser's Ghanaian operation (see next story). Having reached $1,534.50 a tonne at ths close the three months position added nearly $10 in after hours trading.

News that a strike had been averted at the Sudbury, Ontario, operation of Falconbridge, the second largest western nickel producer, only briefly interrupted the metal's price rise.

Yesterday's $134 rise to $6,259 a tonne for three months delivery took the advance over the last seven trading days to $481.50.

● Falconbridge said it reached agreement early yesterday morning with mine, mill and smelter workers to avert the threatened strike, reports Reuters from Toronto.

"We have an agreement as of 05:15 [local time]" said company spokesman Mr Gerald Foley at a Sudbury hotel where management and union representatives had been negotiating through the night. The Canadian Auto Workers Union, which represents the Sudbury workers, had threatened to strike if no agreement was reached by 08:00.

Mr Foley said the new contract would be for three years but disclosed no further details of the deal, which covers some 1,400 workers.

The Sudbury plant last year produced 38,300 tonnes of nickel, 47,200 tonnes of copper and 800 tonnes of cobalt.

Further gains forecast

The copper price is likely to rising sharply during the final quarter of this year and into 1995 as stocks fall towards a critical four weeks' supply, according to London broker Hambros Equities UK, reports Reuters.

In a special report Hambros forecast that stocks held by producers, consumers and merchants, now equivalent to 5.5 weeks' supply, would fall rapidly from mid-September, as they did between January and July.

Hambros analyst Mr Christopher Pearson said said copper prices could then reach 150 cents a pound, compared with about 113 cents at present.

If the decline in London Metal Exchange stocks matched the pace of falls earlier this year, the total could reach 180,000 tonnes by the end of the year, the report said.

"Before allowing for any movement in producer and consumer stocks, this would lower the stocks consumption ratio by about 0.3 weeks supply to about 4.7 weeks by December 31."

Net new production of 460,000 tonnes next year was unlikely to meet rising worldwide consumption, it said. In response to synchronised economic recovery copper consumption growth of 6.5 per cent this year would be followed by a 5.8 per cent increase in 1995.

Western world consumption would exceed supply in both 1994 and 1995, leading to stocks falling to three weeks availability next year.

"Below four weeks of supply, copper prices have tended to rise almost exponsntially," said Hambros. "Therefore, we expect the price to spike above 150 cents a pound during the first half of 1995."

Drought threatens Ghanaian aluminium smelter

By Laurie Morse in Chicago

Drought conditions in Ghana have caused power authorities in the Volta Lake region to declare *force majeure* on its supply contracts to the Volta Aluminum Company (Valco) smelter, which this year was projected to produce 140,000 tonnes of aluminium.

The smelter is 90 per cent owned by Texas-based Kaiser Aluminum, with the minority interest held by Reynolds Metals.

Kaiser officials are negotiating with the government of Ghana to avoid the power cut-off, but at present are facing at September 10 shutdown date.

If the negotiations are unsuccessful, Kaiser faces the loss of nearly one-third of its current global production. Kaiser has global capacity to produce 508,000 tonnes of aluminium annually, but has been operating at about 77 per cent of that capacity, or about 390,000 tonnes per year.

It cut output at the Valco plant by about 30 per cent this spring, because of the low water conditions.

Mr Robert Irelan, a Kaiser spokesman, said the company was examining its options for replacing metal lost if Valco was shut down. Those options included restarting idled potlines in the US pacific north-west, where low water has also interrupted the supply of cheap hydro-electric power. Kaiser's Mead smelter in Spokane, Washington, is operating at only 75 per cent of its annual 200,000 tonne rated capacity.

The Ghanaian smelter was last shut by drought in 1983, when it remained idle for two years. The Valco plant employs about 1,600 people, most of whom are Ghanaian nationals, and is an important source of foreign exchange for Ghana.

Gold market prospects 'very finely balanced'

By Richard Mooney

Gold market prospects look "very finely balanced", according to Gold Fields Mineral Services, a London-based research company.

In an update to its Gold 1994 report, published today, the company says that a good case can be made for suggesting that the metal's price will break out of the recent trading range, "either on the upside or the downside".

The direction of the break-out will depend, it says, on "the interplay between wealth creation, inflation, interest rates and finally, perceptions about gold's fundamentals".

In the first half of this year mine production continued to grow at an annualised rate of 2 per cent, taking account of seasonal factors, says the update. But net official sector supply *changed dramatically*. "While not actually reversing to a position of net buying, the level of sales [by central banks] dropped to only 36 tonnes [compared with 244 tonnes in the second half of last year and 275 tonnes in the first half]. "Instead of sales," GFMS explains, "the activities of official participants have been largely confined to lending and swapping gold."

Meanwhile, forward selling by producers continued to decrease and, "with the continued repayment of gold loans, this has resulted in producer hedging contributing more than 90 tonnes to the demand side of the equation".

"The above changes might have been expected to produce *a positive impact on sentiment* and price," the update says. But they have been countered by significant disinvestment in Europe and North America as investors, disillusioned with the gold price's reduced volatility, switched their attention to other commodity markets. Successive increases in US interest rates also dampened interest in buying gold.

The jewellary sector's demand for gold this year has reflected "a mix of some very disparate trends", says GFMS: "the continued improvement in the United States; the sluggishness so far of European demand to respond to improved economic conditions; extremely weak offtake in the Middle East; and, finally, the *price-elastic response (relative* to the first half of 1993) of jewellery [demand] in the Far East".

The net result has been a moderate first half rise to a level that remains nearly 14 per cent below the first half figure in 1993.

GFMS sees scope for sharp upturns in European jewellery sector demand for gold, as consumer confidence improves, and in Middle Eastern demand, as this year's oil price recovery feeds through.

"But is in the Far East that the most intractable question lies: namely, did this year's recovery in physical offtake represent consumers *beginning* to adjust to the higher price level, or alternatively, was it *an example of pent-up demand* following the buyers' strike of the second half of last year?"

GFMS suggests that, "with other things being equal", the former explanation would point to further rises in offtake and the latter to a slowdown.

"But of course, other things will not be equal," it says. If China's monetary is loosened before the economy has cooled sufficiently "the impact on confidence could easily initiate a new hedge-buying gold rush, similar to what was seen in 1992.

"On the other hand, some of this year's [gold] fabrication in China appears to have gone into increasing retail inventories which may have to be worked off before a real improvement in offtake can take place."

GFMS sees the level of world-wide investment or disinvestment as "arguably... the element in the market which will have the greatest impact in the short term."

"If inflation looks like gaining the upper hand over the efforts of central banks to keep it in check, there could easily be a renewed surge in hedge-buying of gold," it explains.

"But again, perceptions about the gold market's fundamentals and interest rates will be crucial in determining investment strategies. A break-out of the price on the upside could galvanise investors and result in a self-fuelling rally, whereas if the price were to show the same lack of movement that characterised the first half, a continued drift away from the market could be expected."

Gold 1994 – Update 1: £100 (US$155 outside the UK) from Gold Fields Mineral Services Ltd, Greencoat House, Francis Street, London SW1P 1DH

Global Gold Supply and Demand (tonnes)

Supply	1st half 1993	2nd half 1993	1st half 1994	Demand	1st half 1993	2nd half 1993	1st half 1994
Mine production	1,093	1,187	1,115	Fabrication			
Official sector sales	275	244	36	Jewellery	1,369	1,142	1,175
Old gold scrap	259	276	271	Electronics	91	93	91
Forward sales	217			Coins	35	84	31
Option hedging	61		10	Other	91	92	94
Disinvestment			159	Bar hoarding	109	28	109
				Gold loans	37	28	25
				Forward sales		7	67
				Option hedging		96	
				Investment	184	137	
Total	1,905	1,707	1,592	Total	1,905	1,707	1,592

Source: Gold Fields Mineral Services

Indian cotton estimate cut

India's officially-sponsored Cotton Advisory Board has estimated the country's 1993-94 (September/August) crop at 12.1m bales (170kg each), compared with the previous year's 14m, according to traders, reports Reuters from Bombay.

Meeting on the eve of the new season, the CAB did not give reasons for the lower crop but traders said the shortfall, occurring mainly in the northern states of Punjab, Haryana and Rajasthan, was caused by floods and pests.

East India Cotton Association president Mr C.H. Mirani said the CAB estimates were lower than the 12.3m anticipated by trade associations.

● The world cotton production estimates for 1994-95 had been raised slightly 19.01m tonnes, from an end-July figure of 18.849m, the Liverpool-based industry publication Cotton Outlook said.

The figure reflected a rise in the US estimate were to 4.106m tonnes from 4.002m a month earlier.

China's projected output remained at 4.3m tonnes, with India's and Pakistan's unchanged at 2.295m and 1.7m tonnes respectively. The Australian crop estimate was down to 341,000 tonnes from 386,000 because of drought.

MARKET REPORT

Profit-taking trims coffee gains

London Commodity Exchange COFFEE futures ended firmer but off six-week highs as profit-taking set in following a rally fuelled by trade, speculative and roaster buying and a bullish New York market, traders said.

The November position, which had rebounded from an early low of $3,700 to touch $3,840 a tonna at one stage. Ended the day at $3,773 a tonne, up just $18 on balance.

"It was quite a run, reflecting mixed buying and New York's rally," explained one dealer. Both selling and buying here were technically inspired, he added.

Other dealers said the London rally was encouraged by New York breaking resistance at 220 cents a pound in early trade. But the December position at the US market later backed off to 213 cents.

COCOA futures closed lower but well off their lows after responding to a firmer New York market, dealers said. New York was on the upswing at midday amid light activity, they added.

At the close London's December was down £10 at £1,013 a tonne after trading between £1,008 and £1,044.

Market players were still awaiting fresh news of the Ivory Coast's crop, the dealers said. In its daily report private US-based forecaster Weather Services said the Ivory Coast's cocoa regions needed more rain as below normal shower activity continued in West Africa. "Light showers are providing only some relief to dry conditions in Ivorian cocoa regions, and some reduction in crop production is likely," the report said.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1505-6	1534-5
Previous	1487-8	1517-8
High/low	1503.5	1545/1530
AM Official	1503-3.5	1532.5-3
Kerb close		1543-4
Open int.	273,886	
Total daily turnover	36,045	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1555-60	1573-5
Previous	1537-40	1550-60
High/low		1575/1570
AM Official	1550-5	1570-5
Kerb close		1573-83
Open int.	2,791	
Total daily turnover	565	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	589.5-90.5	605.5-6
Previous	588-9	605-6
High/low		610/605
AM Official	589.5-90.5	605.5-7
Kerb close		609-9.5
Open int.	40,250	
Total daily turnover	5,868	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6165-75	6258-60
Previous	6025-35	6120-30
High/low	6155	6350/6180
AM Official	6150-5	6255-7
Kerb close		6350-60
Open int.	55,005	
Total daily turnover	14,233	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5375-85	5455-60
Previous	5345-50	5425-30
High/low		5480/5430
AM Official	5380-5	5460-5
Kerb close		5455-60
Open int.	17,827	
Total daily turnover	3,459	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	971.5-2.5	995-6
Previous	965.5-6.5	989-90
High/low	974.5/974	1000/993
AM Official	974.5-5	998.5-7
Kerb close		994-5
Open int.	96,607	
Total daily turnover	17,186	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2499-500	2509-10
Previous	2457.5-8.5	2469.5-70
High/low	2498/2497	2521/2488
AM Official	2498-9	2505.5-6
Kerb close		2508-9
Open int.	212,817	
Total daily turnover	73,226	

■ LME AM Official £/$ rate: 1.5343
LME Closing £/$ rate: 1.5363

Spot:1.5365 3 mths:1.5345 6 mths:1.5322 9 mths:1.5278

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Aug	114.00	+2.20	113.80	112.30	8,973	2,058
Sep	116.50	+2.50	116.50	114.80	1,001	30
Oct	116.15	+2.45	116.20	114.70	609	13
Mar	115.95	+2.35	116.50	115.00	29,134	6,063
Dec	115.75	+2.30	115.80	114.10	422	2
Jan	115.30	+2.30	115.00	115.00	272	-
Total					47,809	8,444

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	386.00-386.50	
Opening	386.30-386.70	
Morning fix	386.25	251.598
Afternoon fix	385.75	251.025
Day's High	386.60-387.00	
Day's Low	384.80-385.20	
Previous close	386.30-386.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.31	6 months	4.50
2 months	4.32	12 months	4.69
3 months	4.35		

Silver Fix	p/troy oz.	US cts equiv.
Spot	349.20	535.75
3 months	353.55	541.85
6 months	359.60	548.80
1 year	371.95	565.30

Gold Coins	$ price	£ equiv.
Krugerrand	391-394	255-257
Maple Leaf	396.35-396.85	-
New Sovereign	90-93	59-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Sep	388.3	+0.2	-	-	680	828
Oct	387.8	-	388.4	386.2	8,219	1,459
Nov	389.3	-	-	-	-	-
Dec	390.8	-	391.4	389.2	89,847	18,727
Feb	394.0	-	394.2	393.0	13,298	215
Apr	397.3	-0.1	-	-	6,897	50
Total					158,576	21,876

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Oct	415.2	+1.6	417.0	412.0	17,510	2,664
Jan	418.5	+2.0	419.5	416.0	4,986	256
Apr	422.3	+2.0	423.5	420.0	1,931	3
Jul	425.8	+2.5	-	-	452	-
Oct	428.3		-	-	102	-
Total					24,999	2,946

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Sep	152.35	+1.65	152.05	150.00	844	610
Dec	154.10	+0.85	154.50	152.00	5,340	636
Mar	154.35	+0.60	155.00	153.50	599	41
Total					6,783	1,288

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Sep	544.3	+7.4	545.0	535.0	6,960	11,379
Oct	546.5	+7.4	-	-	5	2
Nov	548.7	+7.2	-	-	-	-
Dec	551.2	+7.2	553.0	542.5	81,808	23,150
Jan	553.6	+7.2	553.5	546.0	42	23
Mar	558.2	+7.1	560.0	552.0	8,400	335
Total					111,767	34,887

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	17.77	+0.32	17.85	17.32	95,300	40,277
Nov	17.82	+0.31	17.87	17.44	53,589	18,066
Dec	17.86	+0.30	17.90	17.54	47,805	9,661
Jan	17.93	+0.32	17.95	17.61	30,078	3,915
Feb	17.77	+0.16	17.77	17.59	19,423	1,101
Mar	17.72	+0.12	17.73	17.72	15,216	1,081
Total					362,303	81,780

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	16.47	+0.23	16.60	16.22	85,284	18,096
Nov	16.58	+0.22	16.71	16.33	31,686	8,805
Dec	16.66	+0.20	16.77	16.43	20,813	3,090
Jan	16.64	+0.21	16.75	16.41	8,990	928
Feb	16.61	+0.20	16.66	16.42	4,198	685
Mar	16.58	+0.20	16.58	16.40	4,888	421
Total					143,892	34,894

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	49.65	+1.10	49.75	48.65	8,500	10,784
Oct	49.85	+0.97	50.10	48.98	38,603	13,534
Nov	50.70	+0.97	50.85	50.00	19,992	2,882
Dec	51.65	+1.02	51.75	51.05	35,360	2,835
Jan	52.40	+1.02	52.50	51.75	19,338	793
Feb	52.70	+1.02	52.70	52.55	9,622	286
Total					183,231	31,304

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	152.25	+1.50	152.75	150.50	28,594	3,484
Oct	155.50	+1.50	155.75	153.25	25,191	4,159
Nov	157.75	+1.50	158.00	155.00	12,008	1,026
Dec	159.50	+1.75	159.75	157.00	15,958	2,029
Jan	160.75	+1.25	161.00	158.75	11,880	1,375
Feb	161.25	+1.25	161.25	159.00	4,229	343
Total					108,918	12,482

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	1.581	-0.006	1.610	1.575	29,861	10,356
Nov	1.835	-0.002	1.840	1.820	16,864	1,855
Dec	2.075	-0.009	2.086	2.065	22,894	2,551
Jan	2.105	-0.012	2.105	2.100	14,501	1,178
Feb	2.040	-0.012	2.045	2.040	10,831	1,242
Mar	2.000	-0.004	2.010	2.003	8,658	583
Total					146,867	20,758

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	51.06	-0.05	51.55	49.80	7,303	11,630
Oct	49.65	+0.21	49.75	48.70	25,637	10,210
Nov	49.00	+0.36	49.10	48.05	15,098	2,490
Dec	55.10	+0.20	55.10	54.25	8,808	1,052
Jan	53.80	-	-	-	4,214	382
Feb	53.30	-	-	-	3,061	50
Total					64,861	25,867

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	104.60	-0.35	104.75	104.50	254	22
Nov	105.30	-0.30	105.50	105.30	2,494	58
Jan	107.35	-0.40	107.30	107.30	1,780	11
Mar	109.25	-0.45	109.45	109.20	1,083	61
May	111.30	-0.95	111.40	111.25	1,102	23
Jul	113.35	-0.55	113.40	113.40	187	15
Total					6,900	190

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	363/4	+4/2	364/2	359/0	4,042	6,045
Dec	379/2	+4/0	379/4	374/6	47,610	12,190
Mar	387/0	+3/6	387/4	382/6	15,193	1,689
May	377/4	+3/6	378/4	374/0	1,542	115
Jul	358/2	+2/6	354/4	351/0	2,187	465
Dec	364/4	+2/0	364/4	362/0	20	20
Total					70,594	20,424

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	220/6	+2/2	221/0	218/4	14,720	15,879
Dec	222/6	+1/0	223/0	221/6	128,522	17,880
Mar	232/2	+1/2	232/4	231/0	28,538	1,845
May	238/2	+1/0	238/4	237/2	11,465	287
Jul	242/6	+1/2	242/6	241/4	11,382	607
Sep	245/6	+1/2	245/6	244/6	667	31
Total					201,194	36,219

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	103.15	-0.25	103.20	103.20	101	13
Nov	104.25	-0.35	104.25	104.25	463	20
Jan	105.80	-0.45	105.80	105.75	315	0
Mar	108.00	-0.70	-	-	66	-
May	110.00	-0.15	-	-	21	-
Total					966	33

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	581/0	+7/2	581/2	574/4	7,367	3,897
Nov	573/6	+6/0	574/4	568/4	77,423	16,045
Jan	582/0	+5/6	582/4	577/0	13,687	1,788
Mar	591/2	+5/6	591/4	586/0	6,886	592
May	597/4	+6/0	597/4	592/4	3,833	135
Jul	602/4	+5/0	603/0	598/2	7,468	327
Total					118,338	24,986

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	24.98	+0.23	24.99	24.70	10,642	6,809
Oct	24.93	+0.20	24.96	24.64	16,362	4,078
Dec	24.72	+0.16	24.78	24.47	38,134	7,282
Jan	24.67	+0.17	24.67	24.43	8,201	330
Mar	24.60	+0.10	24.60	24.33	6,723	510
May	24.45	+0.10	24.45	24.25	3,864	275
Total					81,806	21,827

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	173.2	+1.9	173.4	171.6	12,522	8,773
Oct	171.7	+1.3	171.8	170.8	13,038	3,052
Dec	172.6	+1.3	172.6	171.3	38,347	8,913
Jan	173.7	+1.4	173.8	172.3	6,581	1,303
Mar	176.3	+1.2	176.4	176.4	7,217	631
May	177.8	+1.1	177.8	176.8	6,581	167
Total					83,879	22,985

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	150.0	-	-	-	-	-
Mar	165.0	-	-	-	-	-
Apr	225.0	+5.5	227.0	220.5	1,282	40
May	240.0	-	-	-	-	-
Jun	187.5	-	-	-	-	-
Total					1,288	40

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	1461	-1	-	-	425	-
Sep	1416	+45	1416	1370	619	86
Oct	1425	+47	1425	1395	868	81
Jan	1440	+42	1440	1429	513	16
Apr	1460	+35	-	-	169	-
Jul	1375	+25	-	-	60	-
Total					2,671	185

	Close	Prev
BFI	1436	1446

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	978	-13	978	963	3,804	1,387
Dec	1014	-9	1016	1003	31,535	5,015
Mar	1039	-9	1044	1027	31,731	1,393
May	1050	-10	1053	1039	11,474	335
Jul	1061	-10	1067	1052	4,730	335
Sep	1071	-13	1079	1063	8,794	403
Total					103,661	9,147

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1305	+5	1308	1285	246	77
Dec	1357	+1	1369	1346	41,865	8,609
Mar	1400	+5	1410	1389	12,750	1,851
May	1425	-	1434	1420	3,266	124
Jul	1447	-	1447	1447	2,480	11
Sep	1467	-	-	-	1,305	-
Total					70,698	12,073

■ COCOA (ICCO) (SDR's/tonne)

Aug. 30	Price	Prev. day
Daily	1035.73	1058.72

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	3865	+37	3910	3785	5,190	1,208
Nov	3773	+10	3840	3700	12,385	3,470
Jan	3713	+16	3799	3690	11,420	1,139
Mar	3674	+20	3730	3635	5,369	178
May	3646	+26	3710	3675	1,479	33
Jul	3665	+52	3680	3645	46	5
Total					36,896	6,089

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	208.75	-2.00	214.25	205.50	556	254
Dec	210.25	-2.40	221.25	210.25	22,549	5,055
Mar	213.80	-2.20	223.00	213.50	6,349	831
May	214.90	-1.85	224.00	217.00	3,049	426
Jul	215.50	-2.00	221.50	221.25	707	285
Sep	216.25	-2.00	-	-	405	40
Total					33,566	6,898

■ COFFEE (ICO) (US cents/pound)

Aug. 30	Price	Prev. day
Comp. daily	194.47	194.35
15 day average	179.40	177.70

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	12.45	+0.08	-	-	1,801	-
Jan	11.82	-	-	-	-	-
Mar	12.38	+0.04	-	-	90	-
Total					1,891	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	323.20	-0.19	324.00	321.00	9,058	1,309
Dec	320.90	-0.50	321.90	320.00	1,785	298
Mar	320.80	-	321.50	319.40	5,825	368
May	320.60	-0.20	320.30	320.30	535	20
Aug	321.70	-	321.80	320.20	375	30
Oct	305.80	-	-	-	206	-
Total					17,787	2,827

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	12.14	+0.02	12.17	12.00	32,354	6,997
Mar	12.19	+0.01	12.24	12.06	55,384	4,152
May	12.15	+0.03	12.16	12.02	10,270	637
Jul	12.07	+0.05	12.07	11.92	4,550	228
Oct	11.92	+0.01	11.81	11.79	1,552	58
Mar	11.40	-0.10	11.40	11.40	484	-
Total					124,678	12,679

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	69.66	-0.67	70.25	69.30	4,317	636
Dec	68.66	-0.50	69.17	68.22	28,417	5,450
Mar	69.80	-0.45	70.30	69.55	9,414	716
May	70.97	-0.41	71.40	70.65	4,636	300
Jul	71.50	-0.80	71.88	71.50	3,460	52
Oct	69.65	-0.50	-	-	410	0
Total					52,821	7,298

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	92.05	-1.05	92.60	91.00	2,208	1,610
Nov	95.95	-1.05	96.50	95.10	9,636	2,332
Jan	99.45	-1.20	100.25	98.70	4,679	806
Mar	102.75	-0.70	103.00	102.10	2,491	181
May	105.95	-1.00	-	-	865	-
Jul	108.00	-0.95	108.00	108.00	470	1
Total					20,839	5,131

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	70.850	-0.450	71.550	70.800	36,019	8,111
Dec	69.675	-0.475	69.700	69.050	16,713	4,113
Feb	67.850	-0.675	68.675	67.800	11,319	1,612
Apr	68.875	-0.225	70.400	68.850	7,808	786
Jun	67.050	-0.325	67.400	66.925	1,874	155
Aug	66.800	-0.100	67.000	66.750	740	147
Total					74,258	15,894

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	36.575	-0.850	38.350	38.400	12,046	2,159
Dec	38.450	-0.500	40.025	38.300	8,647	1,283
Feb	38.575	-0.275	40.050	39.300	2,804	380
Apr	38.975	-0.275	39.375	38.975	1,759	129
Jun	44.150	-0.200	44.400	44.000	602	78
Aug	43.150	+0.075	43.150	43.000	40	2
Total					26,891	4,122

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	42.925	-1.925	45.050	42.850	6,948	1,283
Mar	42.800	-1.775	44.775	42.675	483	79
May	43.600	-1.350	45.400	43.500	74	4
Jul	44.600	-1.275	45.700	44.225	129	4
Aug	42.900	-1.950	44.000	42.850	28	4
Total					7,738	1,374

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1500	54	86	23	44
1525	40	84	33	55
1550	29	72	47	67
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
2400	129	154	14	53
2450	93	125	27	72
2500	62	99	47	96
■ COFFEE LCE	Nov	Jan	Nov	Jan
3600	330	479	130	366
3650	302	455	179	392
3700	275	432	202	419
■ COCOA LCE	Dec	Mar	Dec	Mar
1000	69	105	55	86
1050	47	80	83	97
1100	32	62	116	123
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
1600	66	59	17	-
1650	42	78	38	-
1700	27	55	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Oct)

		+or-
Dubai	$15.20-5.24z	+0.32
Brent Blend (dated)	$15.96-6.01	+0.24
Brent Blend (Oct)	$16.46-6.51	+0.24
W.T.I. (1pm est)	$17.75-7.77	+0.41

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$189-190	-1.0
Gas Oil	$153-154	+1.0
Heavy Fuel Oil	$76-78	-2.5
Naphtha	$159-161	+1.5
Jet fuel	$167-168	+0.5

Petroleum Argus estimates

■ OTHER

Gold (per troy oz)♣	$386.25	-0.25
Silver (per troy oz)♣	541.5c	+3.50
Platinum (per troy oz.)	$413.15	+1.40
Palladium (per troy oz.)	$151.90	+0.15
Copper (US prod.)	118.0c	
Lead (US prod.)	37.75c	
Tin (Kuala Lumpur)	13.36m	
Tin (New York)	251.5c	+1.0
Cattle (live weight)†©	116.27p	-0.97*
Sheep (live weight)†♣©	87.98p	-2.38*
Pigs (live weight)©	75.50p	-2.99*
Lon. day sugar (raw)	$308.50	-0.90
Lon. day sugar (wte)	$346.50	+1.50
Tate & Lyle export	£312.00	-1.00
Barley (Eng. feed)	£107.0w	
Maize (US No3 Yellow)	$140.0	
Wheat (US Dark North)	£180.0	
Rubber (Oct)♥	90.50p	
Rubber (Nov)♥	89.50p	
Rubber KL RSS No1 Aug	318.00m	
Coconut Oil (Phil)§	$605.0z	+10.0
Palm Oil (Malay.)§	$640.0w	+20.0
Copra (Phil)§	$415.0	
Soyabeans (US)	£155.0u	
Cotton Outlook 'A' Index	76.35c	-0.30
Wooltops (64s Super)	454p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Nov/Jan. t Oct. z Sep/Oct. w Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♣ Sheep (Live weight prices). * Change on week. © Prices are for previous day.

Cotton
Spot and shipment sales in Liverpool amounted to 260 tonnes for the week ended August 26 against 211 tonnes in the previous week. Mixed operations indicated some fresh involvement among spinners. Activity centred on Cameroon, American, Central Asian and Australian styles.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

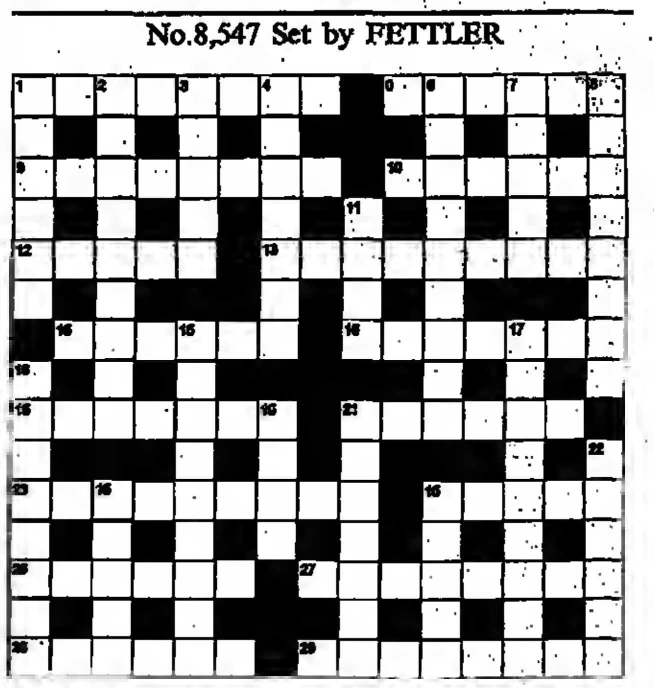
Aug 31	Aug 30	month ago	year ago
2101.7	2104.4	2096.4	1629.4

■ CRB Futures (Base: 1967=100)

Aug 30	Aug 29	month ago	year ago
231.55	232.02	233.16	217.10

CROSSWORD

No.8,547 Set by FETTLER



Clues having subsidiary indicators only are six of ONE and half a *dozen of* the *other (ONE)*

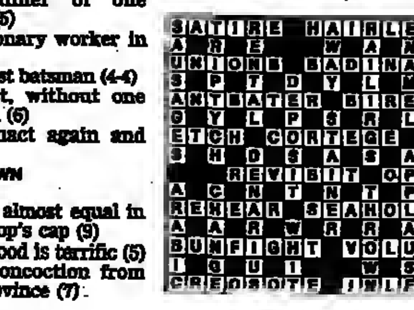
ACROSS

1 Author, terribly sore, chasing type setter (8)
5 Bachelor, having talked wildly, stood his ground (6)
9 Remote viral disorder is better (8)
10 Frightened, touching inside of fish (6)
12 Savage tribe (5)
13 Gnarled pine found in South *American country* (9)
14 Old yak stampeded (6)
16 Phrase played repeatedly in Geneva (7)
19 Frequently accepting Scot's purpose (7)
21 Ran awkwardly in front of veteran (6)
23 Check old song, back where the listeners are (9)
25 In the manner of one French .... (5)
26 .... revolutionary worker in the river (6)
27 Gentle as a test batsman (4-4)
28 Born defunct, without one being wanted (6)
29 Plays I re-enact again and again (8)

DOWN

1 To eat in (6)
2 See headgear almost equal in value to bishop's cap (9)
3 Poet in the mood is terrific (5)
4 Chypre? A concoction from *old Greek* province (7)
6 Silly creep into the welcoming party (9)
7 Drive wildly (5)
8 Old daggers, failures, gone in crookedly (8)
11 Reverse arms in good order (4)
15 Everyone in a full house (3,2,4)
17 Changing one in a lot of leafy decoration (9)
18 Fond of an omelet, occasionally .... (3-3-2)
20 .... underdone? That's unusual (4)
21 Gaoler has not (7)
22 Stick in this place (6)
24 Moderately slow, missing one (5)
25 Poor painter, penniless (5)

Solution 8,546



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Recovery halted as inflation worries resurface

By Terry Byland, UK Stock Market Editor

An attempt to recover from the profit-taking of the previous session was abandoned yesterday after the latest data on the US economy raised the spectre of inflationary pressures. But, once again, it was the UK blue chips which looked uncertain. The broader market held steady and strength in building shares reflected underlying confidence in the progress of economic recovery.

At best, the FT-SE 100-share Index was more than 15 points up. The rises in French bank rates announced after London had closed on Tuesday ware dismissed as purely technical moves, with no serious implications for today's meeting at the Bundesbank, where most analysts believe German rates will be left unchanged. A modest fall in the UK Purchasing Managers Index encouraged hopes for non-inflationary growth, although this index is not yet taken too seriously by the stock market.

However, gains were quickly whittled away when London caught the hint that the New York markets would react negatively to the July US leading economic indicators, which showed a rise in material prices, known to be a sensitive area at the Federal Reserve; the Chicago Purchasing Managers raport seemed to indicate similar trends. Some commentators revived the word "stagflation" coined 20 years ago to describe the combination of rising prices and slowing economic growth.

The FT-SE 100 Index ran back almost to its overnight level as the big trading houses sought to reverse their trading positions in a hurry. However, a late rally left the index at a final reading of 3,251.3 for a gain of 1.7 points on the day. Trading volume increased in the second half of the session as arbitraging was reported between stock index futures and underlying equities. But the FT-SE Mid 250 Index, incorporating a wider range of second line stocks, remained firm, closing 2.8 higher at 3,816.6. Several trading programmes were reported, and these increased the pressures from the stock index futures sector.

Seaq-reported trading volume of 647.9m shares was nearly 8 per cent above Tuesday's figure, which in turn reflected £1.22bn in retail worth and confirmed the return to higher levels of investment activity since the most recent upswing in the stock market.

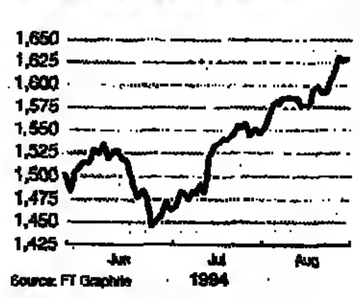
A market highlight in terms of share price movement, although not in trading volume, came in the defence sector, which responded to the $10bn merger of Lockheed Corporation and Martin Marietta in the US. Shares in both British Aerospace and GEC rose smartly as the stock market revived past hints that GEC might seek closer links with, or bid for, Aerospace. By the close, GEC shares had given back the gain but Aerospace remained in demand. On balance, however, the stock market did not sound convinced of its own hopes for an early bid.

Interest rate-related stocks, including most of the store and retail issues, made a good recovery from the bont of profit-taking endured in the previous session, although Kingfisher, the high street trader, suffered from the implications for Darty, its French retailer, of the rises in bank interest rates in that country.

Traders said that the underlying tone of the stock market had remained very firm yesterday. The economic data from the US provided a somewhat discouraging curtain-raiser for the more significant statistics on US unemployment and payrolls due on Friday, which are likely to set the pact for world markets next week.

Today will bring both the meeting of the Bundesbank policy council and also the wider ranging US purchasing managers survey. Eithar could have significant affect on near-term views on the equity market outlook.

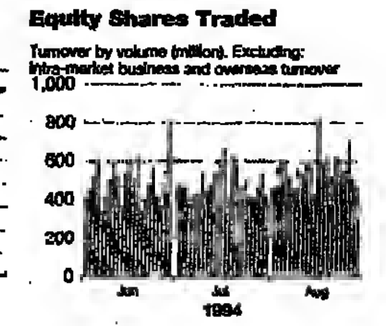
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ **Key indicators**

Indices and ratios

FT-SE 100	3251.3	+1.7	FT Ordinary index	2535.0	-4.9
FT-SE Mid 250	3816.6	+2.8	FT-SE-A Non Fins p/e	20.14	(20.16)
FT-SE-A 350	1640.7	+1.0	FT-SE 100 Fut Sep	3263.0	0.0
FT-SE-A All-Share	1626.84	+1.07	10 yr Gilt yield	8.60	(8.60)
FT-SE-A All-Share yield	3.67	(3.67)	Long gilt/equity yld ratio:	2.36	(2.36)

Best performing sectors		Worst performing sectors	
1 Building & Constr	+2.0	1 Textiles & Apparel	-1.6
2 Banks	+1.4	2 Water	-1.0
3 Tobacco	+1.3	3 Pharmaceuticals	-1.0
4 Merchant Banks	+1.1	4 Diversified Inds	-0.8
5 Life Assurance	+1.0	5 Retailers, Food	-0.7

Defence stocks on alert

Defence and industrial giant British Aerospace advanced sharply as speculation that it is to merge with defence electronics group GEC returned to the market.

The talk was fuelled by this week's $10bn merger between Lockheed and Martin Marietta, and shares in BAe closed 20 ahead at 504p, having touched 508p earlier in the day, to make it the best performing stock among FT-SE 100 constituents. However, turnover at 2.6m was modest and several analysts suggested thet a merger was unlikely in the near term. Trade in GEC was also light, totalling a mere 1.8m. The shares held at 306p.

One market watcher said: "I find today's move in BAe surprising; after all, the new merged group in the US is likely to provide stiff competition."

Some dealers put the day's rise down to straightforward catching up following recent nnderperformanca. Others pointed to some switching from Rolls-Royce into BAe. There were also bargain hunters ahead of next week's Farnborough Air Show.

Coats Viyella upset

Sell advice from one of its joint brokers just before interim figures due next week hit the share price of Coats Viyalla, the UK's leading textile group.

The stock fell quite sharply in early trading as BZW recommended that clients take profits following a good run in the shares. It remained weak and closed 10 off at 229p with turnover reaching 3.5m.

Ms Julia Blake, textile analyst with the UK investment bank, said the rationale was quite simply that: "The shares were on too much of a premium to the sector and looked vulnerable. Wa had the stock on a trading buy at 200p, and 240p was quite a good level to take profits."

However, there was some confusion as the negativa advice came the day before an expected 70-page BZW review of the sector and five days ahead of interim figures which are expected to begin a jumpy reporting period. Textila profits have been badly affected by Continental competition and the inability to raise prices of goods leaving the factory gate at a time when raw material costs are creeping up.

William Baird, which reports on September 7, was flat at 234p, while Courtaulds Textiles, with figures on September 15, eased 3 to 494p.

NIE in demand

While the rest of the electricity sector paused for breath aftsr tha startling post-distribution review, shares in Northern Ireland Electricity (NIE) up to match their all-time high as the market responded to news that the IRA had declared a cessation of violence in the province from midnight yesterday.

Analysts focused on the potential benefits to NIE from the ceasefire, which include a substantial saving on the cost of intensive security at its installations in the province and expected closer ties with the Republic of Ireland.

Analysts estimated that the savings on security costs could come out at £0.5m and pointed to the good opportunities for NIE to export electricity to the Republic, which suffers from supply shortages. Other bull points for NIE included increased US investment in Northern Ireland which, if involving investment in manufacturing, would flow into NIE's core home market.

Hoare Govett, the stockbroker, and a long-time hull of NIE, forecast that NIE's current 3 per cent yield discount would go out to 10 to 15 per cent and said positive sentiment would driva the NIE share price. The broker's fair value estimate for NIE is 450p. The stock ended 21 dearer at 419p, having touched 421p.

Internationally traded stocks with a heavy US presence came under pressure as a result of a weak Wall Street. SmithKline Beecham attracted profit-taking following the earlier boost from its acquisition of Sterling Health. There was also talk that one small US broker was taking a negative view of tha stock but dealers who arbitrage between the US and London said the main selling came from the UK. The "A" shares fell 9¼ to 455p and the Units slipped 10 to 521p.

Zeneca moved back 6 to 839p in spite of getting marketing approval in Italy for one of its products and filing in the UK for approval to sell a cancer treatment.

Elsewhere, Reed International retreated 10 to 795p as it announced its plans to take a big stake in computer magazine group Ziff Communications.

Banks performed strongly, with the two Scottish banks the sector's outstanding stocks. Royal Bank of Scotland was 10 higher at 426p after further aggresaive institntional demand and Bank of Scotland 8 stronger at 208p.

TSB was the most heavily traded bank stock, with the market bracing itself for a big huy recommendation. The shares climbed 5¼ to a two-month high of 222p.

Schroders raced up 48 to a record 1508p ahead of interims due tomorrow.

Provident Financial was up 18 at 541p in the wake of excellent half-year numbers.

The day's biggest decline in the Footsie stocks was in aero-engines group Rolls-Royce as several brokers took profits ahead of today's interim figures. The shares fell 10 to 188p in trade of 4.9m, with BZW and Credit Lyonnais Laing among the leading sellers.

Sentiment was further dampened by vague talk in some quarters that the group would announce provisions for the benefit of its power division.

High street retailer Body Shop bounced 11 to 216p, with Robert Fleming said to have turned positive.

Kingfisher fell 15 to 539p in reaction to the decision by leading French banks to raise their interest rates. The move was expected to hit the group's French subsidiary Darty.

Food retailer Argyll shed 12 to 295p after Jamea Capel advised investors to sell.

Brewer Bass gained 10 at best before closing 6 ahead at 593p. James Capel and UBS were both cited as recommending the shares.

The two building sectors included a welter of strong performers. In the housebuilders, Persimmon advanced 10 to 262p after better than expected interims.

James Capel was said to have been the driving force behind strong performances of Blne Circle, 12 higher at 322p, and Redland, 14 firmer at 562p. BZW was responsible for lifting Pilkington 2½ to 197p.

Aran Energy, one of the smaller oil exploration stocks, attracted some aggressive buying amid rumours of drilling success west of the Shetlands. The stock moved forward 1½ to 39½p.

MARKET REPORTERS:
Peter John,
Steve Thompson,
Joel Kibazo.

■ Other statistics, Page 45

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (78).
BREWERIES (1) Marston Thompson, BLDG MATLS & MCHTS (1) Grafton, CHEMICALS (1) Wolstenholme Rink, DISTRIBUTORS (1) Brammer, ELECTRICITY (3) ELECTRNC & ELECT EQUP (4) MTL Instrs., Noble Prf., Racal, TDI, ENGINEERING (6) Domnick Hunter, Expamet Int'l., Hampson Inds., Manganese Bronze, Starling Inds., EXTRACTIVE INDS (6) FOOD MANUF (2) HEALTH CARE (1) Midland Assets, HOUSEHOLD GOODS (3) Black (P), Osborne & Little, Waterford Wedgwood, INVESTMENT TRUSTS (11) INVESTMENT COMPANIES (1) LEISURE & HOTELS (2) MEDIA (3) MERCHANT BANKS (2) Schroders, Do N/V, OIL EXPLORATION & PROD (2) Aran Energy, Scott Pickford, OIL, INTEGRATED (2) Burmah Castrol, Occidental Petro., OTHER FINANCIAL (2) SFT, Investment Co., PHARMACEUTICALS (1) Scotia, PRTNG, PAPER & PACKG (4) RETAILERS, FOOD (2) ASDA, M & W, SUPPORT SERVS (2) Manpower Inc., Parity, TELECOMMUNICATIONS (2) Securicor, Do N/V, TEXTILES & APPAREL (2) Dewhirst, Wensum, TRANSPORT (1) Ugland Int'l., WATER (3) Chester, South Staffs., AMERICANS (8) SOUTH AFRICANS (1).
NEW LOWS (22).
GILTS (1) BANKS (3) BUILDING & CNSTRN (2) Prowting, Tilbury Douglas, BLDG MATLS & MCHTS (2) Norcros, Tilon, ENGINEERING (3) Ash & Lacy, Beckenham, Weiman, EXTRACTIVE INDS (8) HEALTH CARE (1) Intercare, HOUSEHOLD GOODS (2) Jayes, Wyefield, INSURANCE (1) Topdenmark, INVESTMENT TRUSTS (1) MERCHANT BANKS (1) Wintrust, OTHER FINANCIAL (2) OTHER SERVS & BUSNS (2) Brit. Bloodstock, Pladgrum, PHARMACEUTICALS (1) PRTNG, PAPER & PACKG (1) Norcor, PROPERTY (2) Brit. Land Spc Cv. Bd., Chesterfield, SUPPORT SERVS (2) Coutts Consulting, ISS-Int Serv. Sys. B, TEXTILES & APPAREL (1) Lamont, TRANSPORT (1) CANADIANS (1).

EQUITY FUTURES AND OPTIONS TRADING

Worries over inflation following tha release of US economic data checked an advance in stock index futures, although dealers reported a positive tona to the sector, *writes Joel Kibazo.*

A firm opening to trading in the September futures contract on the FT-SE 100 at 3,260 encouraged early buying, especially from independent, or local, traders. Sporadic demand was also seen from some of the leading institutions in the first half. The contract moved steadily forward and reached a peak for the session of 3,284 in the late morning.

At this stage tha contract was showing a healthy premium to the underlying cash market and dealers used the opportunity to arbitrage between the two markets.

Following a bout of inactivity over the lunchtime period, the contract slipped back after the release of a clutch of US economic indicators, which brought back some fears on inflation.

September closed at 3,263, unchanged on the day but at a 13-point premium to cash on turnover of 10,145 lots.

Good activity in the FT-SE 100 option boosted volume in the traded options. Total turnover at tha close stood at 31,697 lots, of which 18,709 were dealt in the FT-SE 100 option and 1,525 in the Euro FT-SE option.

Pilkington was the busiest stock option with 1,250 contracts transacted.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3260.0	3263.0	-	3284.0	3254.0	10145	52280
Dec	3272.0	3277.5	0.5	3292.0	3272.0	1078	8791
Mar	-	3299.0	-	-	-	0	0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3805.0	3805.0	-10.0	3805.0	3805.0	200	4271
Dec	3826.0	3828.0	-10.0	3826.0	3828.0	200	120

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	3815.0	-	-	-	-	836

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3251) £10 per full index point

	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P
Sep	167	3½	120½	6½	79½	15½	46	32	19½	60	6½	100½	1½	150	1	200
Oct	180	20½	141	31	105½	46	76½	67	53	93½	34	125	20½	163	12	206
Nov	201	33½	165	47	131	63	102	83½	78½	108½	55	138½	38	173	25	212
Dec	222½	48½	186	61½	153½	79½	123½	99½	98½	122½	75	151½	56	184	42	221
Jun†	307	100			247½	138½			191½	182½			147½	238		

Calls 6,965 Puts 10,591

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P
Sep	180	2	142½	4½	98½	11	59	21	29½	41½	11½	73½	3½	115	1	162½
Oct	203	18½	162	27	126	39½	92	58½	64½	78½	43	106½	27	140	15½	178½
Nov			151½	38			113	68½			63	117½			39½	184
Dec			202	52			136½	85			85	131½			48½	194
Mar†			250	81			189½	117½			139	164			98½	221

Calls 746 Puts 575 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3500	3550	3600	3650	3700	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P
Sep						105	26	73	43¼	47¼	68½

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	9,800	68½	-1
Abbey National†	2,800	408	+8
Albert Fisher	2,300	61	+1
Allied-Lyons†	2,200	628	
Anglian Water	798	581	-5
Argos	839	367	+3
Argyll Group†	7,400	295	-11½
[illegible]			

FT-SE Actuaries Share Indices — The UK Series

	Aug 31	Day's chge%	Aug 30	Aug 26	Aug 25	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3251.3	+0.1	3249.6	3266.1	3234.2	3065.1	3.67	6.72	17.57	88.65	1224.77
FT-SE Mid 250	3816.6	+0.1	3813.8	3807.0	3789.4	3495.7	3.24	5.45	22.04	86.15	1416.07
FT-SE Mid 250 ex Inv Trusts	3820.8	+0.1	3817.8	3810.7	3791.7	3511.1	3.38	5.90	20.52	88.79	1414.00
FT-SE-A 350	1640.7	+0.1	1639.7	1645.1	1631.3	1544.4	3.72	6.42	18.44	42.96	1264.20
FT-SE SmallCap	[illegible]										
FT-SE SmallCap ex Inv Trusts	[illegible]										
FT-SE-A ALL-SHARE	1626.84	+0.1	1625.57	1630.33	1617.45	1530.09	3.67	6.26	18.99	41.87	1274.91

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	45	18	9
Other Fixed Interest	8	4	3
Mineral Extraction	56	61	82
General Manufacturers	133	113	398
Consumer Goods	54	32	101
Services	93	79	331
Utilities	15	24	8
Financials	77	97	195
Investment Trusts	109	42	318
Others	53	31	30
Totals	643	499	1471

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	August 22	Expiry	November 24
Last Dealings	September 5	Settlement	December 8

Calls: Aran Energy, Arcon Intl, Euro Disney, Gardiner, Greycoat, Lon Elect, NHL Pref, Shelton (Martin), Shoprite, YTV. Puts: Arcon Intl, Greycoat. Puts & Calls: Aran Energy, Mount Burgess.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	25.4	100	92	‡Aromascan	94		-	-	-	-
-	F.P.	20.4	89	81	Baillie G Shn Wts	81		-	-	-	-
[illegible]											

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
340	Nil	23/9	53pm	41pm	Gibbs Mew	51pm	-1
32	Nil	3/10	1½pm	½pm	Raglan Props	1pm	

FINANCIAL TIMES EQUITY INDICES

	Aug 31	Aug 30	Aug 26	Aug 25	Aug 24	Yr ago	*High	*Low
Ordinary Share	2535.0	2539.9	2552.0	2529.5	2507.5	2403.1	2713.6	2240.6
Ord. div. yield	4.03	4.02	4.00	4.03	4.07	3.84	4.46	3.43
Earn. yld. % full	5.80	5.79	5.76	5.81	5.85	4.53	5.85	3.82
P/E ratio net	18.44	18.48	18.58	18.42	18.27	26.19	33.43	17.89
P/E ratio nil	19.06	19.09	19.18	19.03	18.86	26.04	30.80	18.61

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2539.5	2538.9	2545.0	2546.7	2546.7	2546.0	2546.0	2542.8	2535.6	2548.4	2534.6

	Aug 31	Aug 30	Aug 26	Aug 25	Aug 24	Yr ago
SEAQ bargains	31,843	35,520	32,462	34,291	29,394	34,892
Equity turnover (£m)†	-	1216.6	1509.0	1994.4	1681.6	1450.9
Equity bargains†	-	38,374	35,963	67,793	32,538	40,807
Shares traded (ml)†	-	463.2	504.0	716.8	549.8	564.7

†Excluding intra-market business and overseas turnover.

FT GOLD MINES INDEX

[illegible]

LONDON SHARE SERVICE

BANKS

Notes	Price	+ or –	1994 High	1994 Low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.1	♦
ANZ A$	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Abbey National †N☐	[illegible]	+9	[illegible]	361	[illegible]	4.9	13.6
Allied Irish I£ ‡†N☐	[illegible]	+1	314	234	[illegible]	4.9	[illegible]
Anglo Irish I£ N☐	62	+2	*70	50	222.4	6.9	11.5
Asahi Y	[illegible]	[illegible]	[illegible]	[illegible]	17,480	0.3	♦
Banco Bil Viz Pts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.3	6.7
Banco Sant Pts	[illegible]	—	[illegible]	[illegible]	[illegible]	6.5	9.1
Bk Ireland I£ ‡☐	278	+1	*319	245	1,304	4.7	8.0
Bank Scotland ‡N☐	208	+3	247	172½	2,427	3.0	17.6
9¼pc Pf	[illegible]	[illegible]	141½	113	113.2	10.2	–
9¾pc Pf	[illegible]	[illegible]	148½	110¼	[illegible]	10.3	–
Barclays ‡†N☐	[illegible]	–1	[illegible]	487	[illegible]	3.6	18.0
Dai Ichi Kan Y	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.5	–
Deutsche DM	[illegible]	[illegible]	[illegible]	[illegible]	14,454	2.2	–
Espirito Santo	[illegible]	[illegible]	[illegible]	[illegible]	237.6	3.8	8.3
First Nat Fin N☐	[illegible]	—	[illegible]	[illegible]	[illegible]	5.7	–
6.5pc Cv Pf	17	—	*20	17	6.10	10.2	–
7pc Cv Pf	128	—	171	123	[illegible]	6.9	–
Fuji Bank Y	[illegible]	+2½	[illegible]	1182½	42,347	0.4	♦
HSBC HK †N☐	704	+16	1123	[illegible]	[illegible]	4.1	10.9
HSBC (75p Shs) †N☐	743	+14	1113	[illegible]	[illegible]	4.3	18.5
Lloyds †N☐	[illegible]	+6	[illegible]	519	7,318	6.1	11.1
Mitsubishi Y	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.3	♦
Mits Tst & Bk Y	[illegible]	–13½	[illegible]	[illegible]	11,880	9.5	16.0
Mitsui Tst & Bk Y	734¼	–18½	[illegible]	[illegible]	[illegible]	0.8	24.2
Nat Aust A$ †	[illegible]	—	[illegible]	[illegible]	7,108	6.4	13.0
NatWest †N☐	[illegible]	—	622	421	[illegible]	4.9	9.2
Oberbank FFr	221¼	[illegible]	[illegible]	221¼	106.2	8.6	♦
Ryl Bk Scotland ‡†N☐	[illegible]	+10	[illegible]	377½	[illegible]	3.5	19.3
Sakura Y	[illegible]	[illegible]	[illegible]	[illegible]	30,421	0.8	55.4
Sanwa Y	[illegible]	[illegible]	[illegible]	511½	37,878	0.4	–
Standard Chart †N☐	[illegible]	+1	[illegible]	223	[illegible]	3.1	6.7

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29½	—	£29½	£13½	1,923	2.5	21.6
Barlow	Z	649	+⅛	£5⅝	£3⅞	614.7	0.7	—
Gold Flds Prop R		128xa	—	128	75	13.1	7.4	ϕ
MK Props.	a	85	—	95	85	3.42	10.5	34.9
SASOL	♥	470	+8	470	290	2,671	3.0	—
SA Brews		£12⅞	+⅛	£15⅞	£18	3,488	2.2	20.4
Tiger Oats	†	808	—	838	538	902.2	2.8	12.7
Tongaat-Hulett	h	578xc	+53	*618½	356¼	627.7	2.2	16.2

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(A)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
a Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
J Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Waverley Unit Tst Mngmt Ltd (1000)F
15 Charlotte Sq, Edinburgh 031-225 1551

[illegible]

Whittingdale Unit Tst Mgmt Ltd (0900)F
2 Honey Lane, London EC2V 8BT 071-600 0482

[illegible]

Woolwich Unit Trust Managers Ltd (1700)H
2 White Oak Square, Swanley BR8 7AG 081-298 4000

[illegible]

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Int'l Exmt Aug 31	808.2	853.3	+17.7	0.91

Baring Investment Mngmt Ltd
155 Bishopsgate, London EC2M 3XY
071-214 1050 (general enquiries) 071-214 1804 (dealing)

[illegible]

CAF – Charity Money Management
48 Pembury Rd, Tonbridge TN9 2JD 0732 770114

[illegible]

CIS Unit Trust Managers Ltd

[illegible]

Cent. Bd. of Fin. of Church of England‡
2 Fore Street, London EC2Y 5AQ 071-588 1815

[illegible]

Deposit Fund: See Money Market Trust Funds.

Chargeguard UK Equity Fd/Fixed Int Fd
10 Fenchurch St, London EC3M 3LB

[illegible]

INSURANCES

Acuma Life Assurance Ltd
42 Southwark Bridge Road, London SE1 9HE 071 650 3435

[illegible]

AEGON Life Assurance Co (UK) Ltd
AEGON Hse, Lanark Sq, London E14 9QS 071-538 8080

[illegible]

Clerical Medical/Fidelity Investments

[illegible]

Friends Provident - Contd.

[illegible]

Lancashire & Yorkshire Assce Society

[illegible]

M & G Life and M & G Pensions - Contd.

[illegible]

Norwich Union Life Insurance Soc. - Contd.

[illegible]

Prudential Individual Life Funds - Contd.

[illegible]

FT MANAGED FUNDS SERVICE

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Scottish Mutual Assurance plc

Scottish Provident Group

Sun Alliance Group - Contd.

Sun Life Unit Assurance Ltd

Century Life International Ltd

Eagle Star Intl Life

Equitable Life (International)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

CURRENCIES AND MONEY

MARKETS REPORT

Lira recovery continues

The lira yesterday continued its gradual recovery on the currency markets to again reach the L1,000 level, *writes Philip Gawith.*

A combination of favourable events – most recently, a favourable floating rate bond auction – helped the lira to a London close of L1,000 against the D-Mark, from L1,007 on Tuesday.

Elsewhere in Europe, the D-Mark's performance was fairly mixed, as it failed to benefit from the upward trend in French interest rates. The franc was barely changed at FFr3.422 against the D-Mark from FFr3.423.

The announcement that the Irish Republican Army was suspending military operations after 25 years had little discernible impact on the pound. The trade weighted sterling index finished at 79.1 after opening at 78.8.

Market talk about progress in the US-Japan trade talks helped the dollar finish firmer against the yen at Y100.175, from Y99.665. It finished slightly lower against the D-Mark at DM1.5783 from DM1.5805.

Overall activity was quiet, with most traders focusing on today's Bundesbank council meeting, and the release tomorrow of the monthly US employment report.

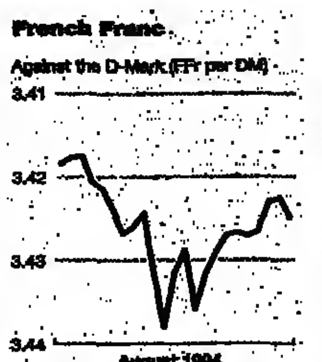
■ The firmer lira was one of a number of currencies which defied those who thought higher rates in France would favour the D-Mark. Mr Adrian Schmidt, international economist at Chase Manhattan, said there were three factors which explained the lira's recent recovery from a low of L1,030 on August 12.

These were the firmer tone to the dollar, improved expectations of a credible budget package – based primarily on government plans to implement a pensions reform package – and the good response to Tuesday's auction.

While the recent absence of political tensions has clearly helped the lira, most observers believe the market will continue to place a risk premium on it, until there is evidence of sustained calm on the political front.

French Franc

Against the D-Mark (FFr per DM)



Source: FT Graphite

■ **Pound in New York**

Aug 31	—Latest—	– Prev. close –
£ spot	1.5365	1.5340
1 mth	1.5363	1.5336
3 mth	1.5346	1.5319
1 yr	1.5218	1.5192

Analysts were split as to whether the decision by leading French commercial banks to raise rates presaged a bottom in European rates, or not.

Mr Brian Durrant, economist at brokers GNI, said the rates increase did "not have Bank of France official policy implications and certainly does not imply conclusively that the European interest rate cycle has bottomed."

But Mr Robert Thomas, head of research at NatWest Markets, said the move, aimed at bolstering lending margins, "surely underlines that there is not much more to go in European rates, if at all." He said it was most unlikely that the banks had not spoken to the Bank of France first, and their action in then raising rates suggested they were not confident about the prospect of a further fall in rates.

Various theories circulated about why the banks raised rates. One is that they were trying to pressurise the Bank of France to hasten rate cuts. Another suggested they were acting pre-emptively in anticipation of the Bundesbank raising rates at its meeting today.

■ The latter view is certainly a minority one. A Reuters poll of 20 European economists, ahead of the council meeting, found that only five of those polled thought the discount rate would not be cut again, and none are predicting it to be above the current level of 4.5 per cent at the end of the year. The consensus is that it will be at 4.25 per cent.

Economists at SG Warburg argue, in their latest foreign exchange review, that "the Bundesbank lacks economic justification for further monetary relaxation." This is based on the view that inflation is approaching a cyclical bottom.

"They will also have to facilitate substantial issuance throughout potential political uncertainty in the coming months, a scenario which rules out measures that may leave the D-Mark and Bundesbank credibility at risk."

If the Bundesbank does opt for change, it is most likely to revert to a variable rate repo. The repo rate is currently fixed at 4.85 per cent. Earlier this week, a Bundesbank council member said the bank had an interest in keeping alive interest rate speculation.

■ Analysts were reluctant to predict whether the IRA announcement might benefit sterling. One line of reasoning was that the pound would firm if prime minister John Major's reputation was seen obviously to have been enhanced by the ceasefire declaration.

Sceptics, however, said he might well have opened a Pandora's box, fostering political division among his own supporters. In the medium term, analysts surmised that the fiscal implications of a unified Ireland would probably have more impact on the Irish punt, than on sterling.

The August purchasing managers report conveyed little fresh information about the economy and was ignored by sterling. It also had little impact on the futures market, with the December short sterling contract closing at 93.40, from 93.43.

The Bank of England provided UK money markets with £194m assistance after forecasting a daily shortage of £300m.

■ **OTHER CURRENCIES**

Aug 31	£	$
Hungary	166.001 - 166.223	108.080 - 108.160
Iran	2682.00 - 2685.00	1748.00 - 1750.00
Kuwait	0.4576 - 0.4580	0.2979 - 0.2987
Poland	35430.9 - 35461.8	23084.0 - 23075.0
Russia	3351.76 - 3354.84	2181.00 - 2183.00
UAE	5.6352 - 5.6467	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Aug 31		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.0667	+0.0401	595 - 738	17.1021	16.9993	17.0623	0.0	17.0605	0.4	-	-	114.9
Belgium	(BFr)	49.9209	+0.1354	804 - 614	50.0100	49.7230	49.9159	0.1	49.9269	0.0	49.8859	0.0	116.5
Denmark	(DKr)	9.5630	+0.0027	596 - 664	9.5683	9.5501	9.5712	-1.0	9.5925	-1.2	9.6328	-0.7	116.3
Finland	(FM)	7.8388	+0.0215	325 - 451	7.8660	7.7990	-	-	-	-	-	-	84.2
France	(FFr)	8.2986	+0.0061	952 - 033	8.3227	8.2782	8.3034	-0.6	8.3041	-0.2	8.2683	0.4	109.6
Germany	(DM)	2.4251	+0.0018	241 - 260	2.4309	2.4139	2.4252	0.0	2.4222	0.5	2.3935	1.3	125.7
Greece	(Dr)	367.915	+1.149	766 - 064	368.495	366.518	-	-	-	-	-	-	-
Ireland	(I£)	1.0134	-0.0021	125 - 143	1.0170	1.0102	1.0138	-0.5	1.0152	-0.7	1.0209	-0.7	104.3
Italy	(L)	2426.90	-13.73	666 - 814	2442.76	2425.20	2433.9	-3.5	2445.85	-3.1	2509.1	-3.4	76.0
Luxembourg	(LFr)	49.9209	+0.1354	804 - 614	50.0100	49.7230	49.9159	0.1	49.9269	0.0	49.8869	0.0	116.5
Netherlands	(Fl)	2.7216	+0.0053	203 - 229	2.7266	2.7105	2.7217	-0.1	2.7184	0.5	2.6868	1.3	120.3
Norway	(NKr)	10.6362	+0.0289	316 - 388	10.6614	10.5906	10.6322	0.3	10.6427	-0.3	10.6267	0.1	96.0
Portugal	(Es)	246.916	-0.821	714 - 117	247.434	245.884	248.646	-3.4	251.826	-8.0	-	-	-
Spain	(Pta)	200.859	-0.042	766 - 952	201.802	200.683	201.329	-2.8	202.069	-2.4	204.774	-1.9	86.7
Sweden	(SKr)	11.8722	+0.0117	641 - 802	11.9054	11.8203	11.8937	-2.2	11.9442	-2.4	12.1647	-2.5	74.1
Switzerland	(SFr)	2.0436	-0.0011	424 - 447	2.0477	2.0363	2.0422	0.8	2.0375	1.2	2.0053	1.9	120.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.1
Ecu	-	1.2697	+0.002	692 - 702	1.2725	1.2668	1.2704	-0.7	1.2709	-0.4	1.2685	0.1	-
SDR†	-	0.944679	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5363	+0.0029	359 - 366	1.5369	1.5330	-	-	-	-	-	-	-
Brazil	(R)	1.3652	+0.0087	641 - 662	1.3696	1.3628	-	-	-	-	-	-	-
Canada	(C$)	2.1074	+0.0102	068 - 082	2.1095	2.1001	2.1067	0.4	2.1072	0.0	2.1079	0.0	86.5
Mexico (New Peso)		5.2157	+0.0339	108 - 206	5.2206	5.2091	-	-	-	-	-	-	-
USA	($)	1.5365	+0.0032	362 - 368	1.5372	1.5330	1.5363	0.2	1.5345	0.0	1.5218	1.0	63.3
Pacific/Middle East/Africa													
Australia	(A$)	2.0639	+0.0009	628 - 650	2.0704	2.0589	2.0639	0.6	2.0652	-0.3	2.0833	-0.9	-
Hong Kong	(HK$)	11.8741	+0.0247	710 - 772	11.8787	11.8475	11.8702	0.4	11.8691	0.2	11.8761	0.0	-
India	(Rs)	48.1961	+0.0984	829 - 133	48.2140	48.0980	-	-	-	-	-	-	-
Japan	(Y)	153.919	+1.102	850 - 987	153.990	152.550	153.589	2.6	152.714	3.1	148.029	3.8	186.6
Malaysia	(M$)	3.9319	+0.0193	304 - 334	3.9334	3.9163	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5522	+0.0041	506 - 537	2.5537	2.5457	2.5561	-1.8	2.5639	-1.8	2.5862	-1.3	-
Philippines	(Peso)	40.6405	+0.0646	021 - 789	40.6789	40.4021	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7625	+0.012	611 - 638	5.7648	5.7495	-	-	-	-	-	-	-
Singapore	(S$)	2.3047	+0.0052	040 - 054	2.3055	2.3001	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5116	+0.0114	096 - 140	5.5140	5.4864	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.9146	-0.0546	975 - 310	6.9567	6.8975	-	-	-	-	-	-	-
South Korea	(Won)	1230.05	+2.26	973 - 036	1230.53	1227.63	-	-	-	-	-	-	-
Taiwan	(T$)	40.2479	+0.1092	315 - 642	40.2642	40.1479	-	-	-	-	-	-	-
Thailand	(Bt)	38.4740	+0.0647	611 - 868	38.4968	38.3480	-	-	-	-	-	-	-

†SDR rates for Aug 30. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 31		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.1075	+0.003	050 - 100	11.1425	11.0704	11.1075	0.0	11.1073	0.0	11.0325	0.7	104.1
Belgium	(BFr)	32.4800	+0.0205	700 - 100	32.6050	32.4100	32.516	-0.9	32.53	-0.5	32.65	-0.5	105.7
Denmark	(DKr)	6.2239	-0.0112	228 - 249	6.2505	6.2217	6.2304	-1.8	6.2514	-1.8	6.3289	-1.7	104.4
Finland	(FM)	5.1017	+0.0033	986 - 048	5.1264	5.0903	5.1042	-0.6	5.1157	-1.1	5.1867	-1.7	78.7
France	(FFr)	5.4016	-0.0072	005 - 030	5.4250	5.3930	5.4049	-0.7	5.4119	-0.7	5.37	0.0	106.0
Germany	(D)	1.5783	-0.0022	780 - 786	1.5836	1.5734	1.5785	-0.2	1.5785	-0.1	1.5728	0.3	106.6
Greece	(Dr)	239.450	+0.25	400 - 500	240.250	238.800	239.75	-1.5	240.425	-1.8	243.225	-1.8	69.1
Ireland	(I£)	1.5162	+0.0062	152 - 172	1.5169	1.5069	1.5152	0.8	1.5112	1.3	1.4897	1.7	-
Italy	(L)	1579.50	-12.25	900 - 000	1592.25	1579.00	1584.25	-3.6	1594	-3.7	1649	-4.4	79.2
Luxembourg	(LFr)	32.4900	+0.0205	700 - 100	32.6050	32.4100	32.515	-0.9	32.53	-0.5	32.65	-0.5	105.7
Netherlands	(Fl)	1.7713	-0.0009	708 - 718	1.7775	1.7680	1.7714	-0.1	1.7716	-0.1	1.7658	0.3	106.2
Norway	(NKr)	6.9217	+0.0044	207 - 227	6.9440	6.8966	6.9242	-0.4	6.9367	-0.9	6.8537	1.0	95.9
Portugal	(Es)	160.700	+0.2	600 - 800	161.300	160.300	161.65	-7.1	163.325	-6.5	170.7	-6.2	95.2
Spain	(Pta)	130.725	-0.3	690 - 760	131.570	130.600	131.05	-3.0	131.69	-3.0	134.575	-2.9	80.7
Sweden	(SKr)	7.7266	-0.0065	230 - 305	7.7605	7.6980	7.7443	-2.7	7.7848	-3.0	7.9968	-3.4	79.2
Switzerland	(SFr)	1.3300	-0.0036	295 - 305	1.3347	1.3270	1.3293	0.7	1.3278	0.7	1.3175	0.9	106.5
UK	(£)	1.5365	+0.0032	362 - 368	1.5372	1.5330	1.5363	0.2	1.5345	0.5	1.5218	1.0	87.3
Ecu	-	1.2102	+0.0006	099 - 104	1.2119	1.2058	1.2093	0.9	1.2074	0.9	1.1998	0.9	-
SDR†	-	1.44661	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-0.0002	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R)	0.8885	+0.0025	880 - 890	0.8910	0.8880	-	-	-	-	-	-	-
Canada	(C$)	1.3716	+0.0038	713 - 718	1.3735	1.3657	1.3724	-0.7	1.3737	-0.6	1.3848	-0.9	83.4
Mexico (New Peso)		3.3945	+0.015	920 - 970	3.3970	3.3920	3.3955	-0.4	3.3973	-0.3	3.4047	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3438	-0.0017	428 - 447	1.3480	1.3408	1.3441	-0.2	1.3448	-0.3	1.3521	-0.6	88.2
Hong Kong	(HK$)	7.7280	-0.0001	275 - 285	7.7285	7.7275	7.7278	0.0	7.7285	0.0	7.7435	-0.2	-
India	(Rs)	31.3668	-0.0012	650 - 725	31.3775	31.3650	31.4538	-3.3	31.5966	-2.9	-	-	-
Japan	(Y)	100.175	+0.51	150 - 200	100.250	99.3900	99.975	2.4	99.525	2.6	97.27	2.9	150.2
Malaysia	(M$)	2.5590	+0.0073	585 - 595	2.5613	2.5510	2.5498	4.3	2.5365	3.2	2.612	-2.1	-
New Zealand	(NZ$)	1.6610	-0.0006	603 - 617	1.6626	1.6603	1.6610	-0.7	1.6636	-0.7	1.6691	-0.5	-
Philippines	(Peso)	26.4500	-	000 - 000	26.6500	26.3000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 505	3.7505	3.7502	3.7517	-0.4	3.7558	-0.6	3.7744	-0.6	-
Singapore	(S$)	1.5000	+0.0008	996 - 001	1.5002	1.4986	1.4986	1.1	1.4967	0.9	1.49	0.7	-
S Africa (Com.)	(R)	3.5873	-	865 - 880	3.5890	3.5740	3.6026	-5.2	3.6311	-4.9	3.7078	-3.4	-
S Africa (Fin.)	(R)	4.5000	-0.045	900 - 100	4.5100	4.5000	4.5338	-8.0	4.5925	-8.2	-	-	-
South Korea	(Won)	800.550	-0.2	500 - 600	800.600	800.500	803.55	-4.5	807.05	-8.2	825.55	-3.1	-
Taiwan	(T$)	26.1945	+0.0165	890 - 000	26.2000	26.1550	26.2145	-0.9	26.2545	-0.9	-	-	-
Thailand	(Bt)	25.0400	+0.003	300 - 500	25.0600	25.0250	25.1126	-3.5	25.24	-3.2	25.72	-2.7	-

†SDR rate for Aug 30. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 30. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 31		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.16	16.62	4.856	2.029	4860	5.451	21.29	494.6	402.2	23.78	4.093	2.003	4.221	3.077	308.3	2.542
Denmark	(DKr)	52.20	10	8.678	2.536	1.059	2537	2.845	11.12	258.2	210.0	12.41	2.136	1.046	2.203	1.606	160.9	1.327
France	(FFr)	60.15	11.52	10	2.922	1.221	2923	3.279	12.81	297.5	242.0	14.30	2.462	1.205	2.539	1.851	185.4	1.529
Germany	(DM)	20.59	3.944	3.422	1	0.418	1000	1.122	4.384	101.8	82.80	4.895	0.842	0.412	0.869	0.633	63.48	0.523
Ireland	(I£)	49.28	9.440	6.192	2.394	1	2395	2.686	10.49	243.7	198.2	11.72	2.017	0.987	2.080	1.515	151.9	1.253
Italy	(L)	2.058	0.394	0.342	0.100	0.042	100.	0.112	0.438	10.18	8.277	0.489	0.084	0.041	0.087	0.063	6.344	0.052
Netherlands	(Fl)	18.35	3.516	3.050	0.891	0.372	891.6	1	3.907	90.74	73.80	4.362	0.751	0.368	0.774	0.564	56.56	0.466
Norway	(NKr)	46.96	8.996	7.807	2.281	0.953	2282	2.560	10	232.3	188.9	11.17	1.922	0.941	1.982	1.445	144.8	1.194
Portugal	(Es)	20.22	3.873	3.361	0.982	0.410	982.8	1.102	4.306	100.	81.33	4.808	0.827	0.405	0.853	0.622	62.33	0.514
Spain	(Pta)	24.86	4.762	4.133	1.208	0.504	1208	1.356	5.294	123.0	100.	5.911	1.017	0.498	1.049	0.765	76.64	0.632
Sweden	(SKr)	42.06	8.056	6.992	2.043	0.853	2044	2.292	8.955	208.0	169.2	10	1.721	0.842	1.775	1.294	129.7	1.069
Switzerland	(SFr)	24.43	4.681	4.062	1.187	0.496	1187	1.332	5.203	120.8	98.29	5.810	1	0.489	1.031	0.752	75.33	0.621
UK	(£)	49.92	9.563	8.299	2.425	1.013	2426	2.721	10.63	246.9	200.8	11.87	2.043	1	2.107	1.536	153.9	1.269
Canada	(C$)	23.69	4.539	3.939	1.151	0.481	1151	1.291	5.045	117.2	95.30	5.634	0.970	0.475	1	0.729	73.04	0.602
US	($)	32.50	6.226	5.403	1.579	0.660	1579	1.771	6.921	160.7	130.7	7.728	1.330	0.651	1.372	1	100.2	0.826
Japan	(Y)	324.4	62.14	53.92	15.76	6.582	15763	17.68	69.07	1604	1305	77.13	13.27	6.498	13.69	9.981	1000.	8.246
Ecu		39.34	7.536	6.540	1.911	0.796	1912	2.144	8.377	194.6	158.2	9.354	1.610	0.788	1.660	1.210	121.3	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Sep	0.6342	0.6334	-0.0010	0.6357	0.6318	36,572	96,2745
Dec	0.6345	0.6331	-0.0014	0.6345	0.6320	9,823	14,371
Mar	-	0.6335	-	-	0.6335	32	2,866

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Sep	1.0060	1.0009	-0.0051	1.0062	0.9992	17,853	59,380
Dec	1.0100	1.0074	-0.0059	1.0100	1.0060	2,571	10,077
Mar	1.0140	1.0140	-0.0062	1.0140	1.0140	2	1,716

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Sep	0.7530	0.7517	-0.0015	0.7539	0.7495	17,881	37,349
Dec	0.7526	0.7526	-0.0017	0.7533	0.7515	2,247	5,506
Mar	-	0.7560	-	-	0.7560	1	60

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Sep	1.5356	1.5360	+0.0016	1.5366	1.5332	6,028	33,454
Dec	1.5310	1.5346	+0.0024	1.5346	1.5310	693	1,960
Mar	1.5290	1.5310	[illegible]	1.5310	1.5290	15	198

EMS EUROPEAN CURRENCY UNIT RATES

Aug 31	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.15091	+0.00024	-2.09	5.34	-
Belgium	40.2123	39.4488	-0.0082	-1.90	5.14	14
Germany	1.94964	1.91610	+0.0001	-1.72	4.95	-
Ireland	0.808628	0.800156	-0.001074	-1.05	4.24	7
France	6.53883	6.56633	+0.0085	0.42	2.71	-4
Portugal	192.854	195.026	+0.209	1.13	2.00	-8
Denmark	7.43679	7.56413	-0.0181	1.71	1.41	-12
Spain	154.250	159.103	+0.246	3.16	0.00	-22
NON ERM MEMBERS						
Greece	264.513	290.782	+0.118	9.93	-6.17	-
Italy	1793.19	1925.44	-8.9	7.38	-3.94	-
UK	0.786749	0.789834	+0.000363	0.39	2.74	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
1.450	8.36	8.29	8.32	-	-	0.12
1.475	5.86	5.96	6.14	-	0.13	0.40
1.500	3.45	3.85	4.20	0.06	0.46	0.94
1.525	1.48	2.17	2.62	0.50	1.24	1.93
1.550	0.36	1.02	1.52	1.80	2.52	3.11
1.575	0.03	0.39	0.78	3.95	4.36	4.64

Previous day's vol., Calls 3,847 Puts 11,118 . Prev. day's open int., Calls 890,718 Puts 420,281

WORLD INTEREST RATES

MONEY RATES

August 31	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	4¾	5⅛	5½	5⅝	6⅛	7.40	4.50	-
week ago	4⅞	5⅛	5⅜	6⅛	5½	7.40	4.50	-
France	5⅜	5⅞	5⅝	5⅞	6¼	5.00	-	6.75
week ago	5⅜	5¾	5⅝	5⅞	6⅛	5.00	-	6.75
Germany	4.83	4.95	4.95	5.02	5.33	6.00	4.50	4.85
week ago	4.86	4.95	4.95	5.00	5.28	6.00	4.50	4.85
Ireland	4⅞	5⅞	5⅞	6⅛	7¼	-	-	6.25
week ago	4⅞	5½	6⅛	6⅛	7⅜	-	-	6.25
Italy	8½	8⅛	8¾	9⅛	10⅜	-	7.50	8.45
week ago	8½	8⅛	8¾	9½	10⅛	-	7.50	8.45
Netherlands	4.84	4.93	4.99	5.11	5.41	-	5.25	-
week ago	4.86	4.93	4.98	5.11	5.42	-	5.25	-
Switzerland	4	4⅛	4⅛	4½	4⅞	6.625	3.50	-
week ago	5⅜	4⅛	4⅜	4½	4⅞	6.625	3.50	-
US	4⅞	4⅞	4⅞	5¼	5¾	-	4.00	-
week ago	4¾	4⅞	4⅞	5¼	5¾	-	4.00	-
Japan	2⅛	2⅛	2⅜	2⅛	2⅞	-	1.75	-
week ago	2⅛	2⅛	2⅛	2⅜	2⅞	-	1.75	-
■ **$ LIBOR FT London**								
Interbank Fixing	-	4⅝	5	5⅛	5⅞	-	-	-
week ago	-	4⅝	5	5⅛	5⅞	-	-	-
US Dollar CDs	-	4.65	4.80	5.07	5.58	-	-	-
week ago	-	4.65	4.77	5.06	5.59	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	4	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	4	-	-	-

UK INTEREST RATES

LONDON MONEY RATES

Aug 31	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5½ - 4⅛	4¹³⁄₁₆ - 4⁷⁄₁₆	5⅛ - 4⅞	5⅜ - 5⁷⁄₁₆	6⅛ - 5¹⁵⁄₁₆	6⁹⁄₁₆ - 6⅞
Sterling CDs	-	-	4¹⁵⁄₁₆ - 4¹³⁄₁₆	5¼ - 5⅛	5¹³⁄₁₆ - 5⅞	6⁹⁄₁₆ - 6½
Treasury Bills	-	-	4⅞ - 4¹³⁄₁₆	5⅜ - 5⅜	-	-
Bank Bills	-	-	4⅞ - 4¹³⁄₁₆	5⅜ - 5⅜	6¹⁄₁₆ - 5⅞	-
Local authority deps.	4⅞ - 4⅞	4⅞ - 4⅞	5 - 4⅞	5⅜ - 5⅜	6⅛ - 6	6⁹⁄₁₆ - 6½
Discount Market deps	5⅛ - 4⅞	4⅞ - 4⅞	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¼	3¼	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.3637pc. ECGD fixed rate Stg. Export Finance. Make up day Aug 31, 1994. Agreed rate for period Sep 26, 1994 to Oct 25, 1994, Schemes II & III 6.82pc. Reference rate for period July 30, 1994 to Aug 31, 1994, Schemes IV & V 5.578pc. Finance House Base Rate 6½pc from Aug 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Sep	94.29	94.27	-0.02	94.29	94.25	8068	89137
Dec	93.39	93.40	-0.03	93.43	93.36	16505	162772
Mar	92.69	92.71	-0.03	92.73	92.65	4723	67619
Jun	92.15	92.16	-0.04	92.19	92.14	2046	52795

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

BASE LENDING RATES

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 31 / Sch)

BELGIUM/LUXEMBOURG (Aug 31 / Frs.)

DENMARK (Aug 31 / Kr)

FINLAND (Aug 31 / Mks)

FRANCE (Aug 31 / Frs.)

GERMANY (Aug 31 / Dm.)

ITALY (Aug 31 / Lire)

NETHERLANDS (Aug 31 / Fls.)

NORWAY (Aug 31 / Kroner)

SPAIN (Aug 31 / Pts.)

SWEDEN (Aug 31 / Kronor)

SWITZERLAND (Aug 31 / Frs.)

PACIFIC

JAPAN (Aug 31 / Yen)

HONG KONG (Aug 31 / H.K.$)

MALAYSIA (Aug 30 / MYR)

SINGAPORE (Aug 31 / S$)

AUSTRALIA (Aug 31 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Aug 31 / Can $)
4 pm close

MONTREAL (Aug 31 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Aug 31 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, August 31, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Rayon	15.5m	472	+47	Sankyu	3.2m	495	-5
Nitsuko	8.7m	1,620	+40	Nisshin Steel	3.2m	486	+3
Sumitomo Mtl Ind	5.0m	341	-7	Oki Elect	3.2m	790	+1
Nippon Steel	3.9m	375	+3	Nippon Comsys	3.1m	1,580	-20
Kao Corp	3.8m	1,190		Kubota	3.1m	733	+4

INDICES

US INDICES

Dow Jones	Aug 30	Aug 29	Aug 26	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3917.30	3898.85	3881.05	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	98.00	97.96	97.76	105.61 (21/1)	96.43 (13/5)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1631.84	1626.82	1614.40	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	189.89	188.89	188.44	227.08 (3/1)	176.71 (24/6)	256.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3934.14 (3927.34) Low 3875.54 (3868.39) (Theoretical) Day's high 3920.54 (3911.48) Low 3888.82 (3861.05) (Actual)

Standard and Poors	Aug 30	Aug 29	Aug 26	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	475.07	474.59	473.80	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials ♥	553.06	555.98	556.21	566.59 (2/2)	510.65 (21/4)	566.59 (2/2/94)	3.62 (21/6/32)
Financial	46.58	46.50	46.45	46.94 (14/6)	41.30 (4/4)	48.49 (25/8/93)	8.64 (1/10/74)
NYSE Comp.	262.10	261.28	260.82	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	452.69	451.46	449.56	487.89 (2/2)	422.87 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	766.48	763.21	762.94	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Aug 26	Aug 19	Aug 12	Year ago
Dow Jones Ind. Div. Yield	2.64	2.73	2.70	2.80
	Aug 24	Aug 17	Aug 10	Year ago
S & P Ind. Div. yield	2.37	2.43	2.42	2.46
S & P Ind. P/E ratio	20.73	23.51	23.55	27.86

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	476.15	475.50	-0.65	476.40	475.45	54,198	187,188
Dec	478.40	478.20	-0.70	478.40	478.20	6,407	49,120
Mar	-	481.75	-	-	481.75	67	4,394

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
RJR Nabisco	9,436,100	6⅝	+⅛
Lac Miner	5,124,300	16⅞	+¼
Telefonos	4,584,900	63¼	-⅝
US Surgical	3,208,800	25⅝	+1¼
Amer Barr	3,065,200	22¼	+⅜
Compaq	2,768,200	36¾	-¼
Ford	2,574,300	30⅛	+⅛
McDonald's	2,507,800	28	+½
Airtouch	2,459,200	25⅝	+⅜
Reliance	2,227,900	24⅝	+5

■ TRADING ACTIVITY

● Volume (million)

	Aug 30	Aug 29	Aug 26
New York SE	284.522	266.071	305.019
Amex	15.177	18.190	17.060
NASDAQ	271.030	280.736	292.871
NYSE			
Issues Traded	2,858	2,856	2,871
Rises	1,276	1,230	1,484
Falls	837	897	686
Unchanged	745	729	701
New Highs	94	95	80
New Lows	21	29	28

‡ Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close August 31

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17 3/8	13 3/8	AAR	0.48	3.6	450	41	13 1/2	d13 3/8	13 1/2	+1/8
16 7/8	12 5/8	A.L.Labs A	0.18	1.2	28	208	18 3/4	15 1/2	15 1/2	
75 3/4	57 5/8	AMP	1.68	2.3	25	2042	73 3/4	72 1/2	72 1/2	-3/8
72 3/4	52 1/8	AMR			100	3909	60 1/2	58 1/2	60 1/4	+3/4
6	3 1/8	ARX			13	223	4	4	4	
56 1/8	38 5/8	ASA	2.00	4.0	32	1029	49 3/4	48 7/8	49 5/8	+1/4
31 1/8	25 3/8	AbbotL	0.76	2.5	17	7755	30 1/8	29 5/8	30	-1/8
14 3/8	11 3/8	AbitibiPr	0.80	2.8	10	200	14 1/4	14	14 1/4	
23 5/8	17 3/4	ABM Ind	0.52	2.3		15	22 7/8	22 1/4	22 7/8	-1/8
14 3/8	11 1/4	Acclaim			28	277	u15 1/8	14 3/4	15 1/8	+1/4
31	22 5/8	ACE Ltd	0.44	1.8	26	207	23 3/4	23 1/2	23 1/8	-1/8
12 1/2	9 5/8	ACM Gvt In x	1.00	11.1		1010	9 7/8	d9 5/8	9 7/8	+1/8
10 1/8	7 3/8	ACM GrOpp x	0.80	10.9		121	7 1/2	d7 3/8	7 1/2	+1/4
10 5/8	7 1/2	ACM Gvt Sp x	0.80	12.4		288	7 3/8	7 3/8	7 3/8	
12	8 3/4	ACM Gvt Sa x	1.09	12.3		772	9	8 7/8	8 7/8	-1/8
11 3/8	8 1/2	ACM Man x	1.08	12.2		122	8 7/8	8 3/4	8 7/8	+1/8
9 3/4	8	ACM Mangd x	0.72	8.0		17	8 1/8	d8	8	-1/8
15 1/2	8 3/4	AcmeClv	0.44	8.0	15	94	12 1/2	12 1/4	12 1/2	+1/8
9 7/8	6 1/2	Acme Elect			7	50	8 1/8	8 1/8	8 7/8	-1/8
28 3/4	23	Acordia x	0.60	2.3	13	30	26 1/4	26	26 1/4	+1/4
13 3/4	5 3/4	Actava	0.80	2.7	3	786	13 5/8	13 1/8	13 1/2	+1/4
15 5/8	11 3/4	Acuson			157	208	14 1/8	13 7/8	14	-1/8
18 1/2	16 1/2	Adams Expr	0.48	2.7	0	153	17 3/8	17 1/4	17 3/8	+1/8
64	46 1/2	Ad Micro x	3.00	5.1		212	59 1/2	52 1/8	59 1/4	-1/4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

[illegible]

- C -

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- E -

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- R -

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- S -

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4 pm close August 31

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
30¼	28	StJoeLtP	1.80	6.2	14	18	29	28½	29	+½
45	37¼	StPaul	1.50	3.5	4	2257	43⅜	42½	43	+⅜
9⅜	5	Salant Crp			8	102	5¼	5	5¼	
49⅞	32⅝	Sallie Mae x	1.40	3.8	7	7055	39⅛	38½	38⅝	-⅛
13⅞	11⅞	Salomon Br	0.32	2.5		74	12⅞	12¾	12¾	
52¼	41½	Salomon	0.64	1.5	8	2819	43⅛	42¾	43¼	
25	17½	SnDgBE	1.52	7.6	19	523	19⅞	19⅜	19½	-⅛
10	7½	SantaFeERs	0.18	1.7	9	818	9½	9⅜	9½	
15⅛	13½	SFeGd				3714	u16⅜	15¾	16	+⅛
40	31½	SantaFePac	2.80	8.0	16	60	35⅛	34⅞	35⅛	+½
28⅛	18½	SanFeP	0.18	0.5	11	10329	21⅞	21	21½	+½
26	19⅜	SaraLee x	0.64	2.8	18	7670	23⅛	32½	23⅛	+¼
50⅛	42⅜	Scana Corp	2.62	6.2	12	111	45⅜	45¼	45⅜	+⅛
20½	12½	Scecrp	1.50	7.3	8	2822	13⅝	13½	13⅝	+⅛
40½	31¾	SchererRP			30	179	u40½	40	40½	+⅜
71⅞	54½	SchPl	2.04	2.9	16	4192	70¾	69⅞	69⅞	-⅝
63	50¼	Schlmb x	1.20	2.1	33	4164	57¼	57	57	
33⅞	23¼	Schwab(C)	0.28	0.9	14	2880	30⅞	30	30⅞	+¾
16⅞	8⅛	Schweitzer			25	572	9⅛	9	9	-⅛
44¾	24⅞	SciAt	0.12	0.3	60	2066	u45	44½	44¾	+¼
18⅞	13	Scotsman	0.16	0.6	14	97	15⅞	15¾	15⅞	+¼
66⅞	37¼	ScottP	0.80	1.2	17	8087	66	65¼	65⅞	-⅝
28⅝	18⅝	ScudderNAsF	0.21	0.8		133	25⅝	25⅛	25⅝	+⅝
12⅝	9½	ScudderNEuF	0.18	1.5		148	10½	10⅜	10⅜	-⅛
18¼	13½	SeaCnB	0.70	4.9	8	25	17½	17⅛	17½	
16½	14⅞	SeaC1.4625 4	1.46	0.7		10	15⅛	15⅛	15⅛	-¼
32¼	35¼	Seagram	0.60	1.7	41	8975	u32⅝	32	32½	+⅛
29¾	23¾	Seagull En			31	818	24¼	23⅞	24	+⅛
[illegible]										
42½	36⅞	York Int	0.18	0.4	20	681	42	41¼	41¾	-⅜
5½	1	Zapata	0.14	2.3		347	4¾	4⅝	4¾	+⅛
13½	7	ZeitiB			5	1113	10½	10⅜	10⅜	-⅛
27⅞	20⅝	Zenith Nat	1.00	3.9	8	27	25¾	25½	25⅝	
7⅞	6⅝	Zweig Inc x	0.83	11.8		117	7¼	7⅛	7⅛	-⅛
16⅛	11¾	Zero	0.40	3.1	18	68	13	12⅞	13	
29¾	16⅞	Zurn Ind	0.88	4.0	16	150	18¾	18	18	-⅛
13⅞	11⅛	Zweig Fund	1.08	8.9		141	12	11⅞	12	+⅛
10¾	8¼	Zweig Tot	0.84	9.6		565	8⅞	8¾	8¾	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial. [illegible]

AMEX COMPOSITE PRICES

4 pm close August 31

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Oleton	0.24	44	483	36½	35¾	35⅞	-¼
Pegasus G	0.40	19	1728	16¼	15⅞	16	
Perini	0.20	18	61	9¾	d9⅝	9⅝	-⅛
Pet HMP	1.64	8	2	17⅞	17⅞	17⅞	
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close August 31

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMERICA

Profit-taking emerges as carmakers weaken

Wall Street

Blue chip stocks succumbed to profit-taking yesterday morning, as a weak bond market encouraged investors to regroup after the recent surge in share prices, *writes Frank McGurty in New York*.

By 1 pm, the Dow Jones Industrial Average was 3.24 lower at 3,914.06, but the more broadly based Standard & Poor's 500 was off a scant 0.35 at 475.74.

Still, advancing issues were outnumbering declines on the Big Board by an impressive four-to-three margin, in moderate volume of 170m shares.

In the secondary markets, the American SE composite gained 0.89 at 453.58, and the Nasdaq composite was down 0.69 at 765.77.

On balance, the day's conflicting economic news was neutral for the stock market. The Commerce Department reported a 2.3 per cent decline in factory orders, against forecasts of a 2.0 per cent fall.

The slowdown supported the notion that the economy was cooling down enough to delay the Federal Reserve's move to tighter money.

The credibility of that scenario, which was responsible for the recent rally in share prices, was reinforced by the monthly survey of Purchasing Management Association of Chicago. The trade group said that its August index of business activity receded from the previous month's level.

However, the prices-paid component of the Chicago report showed a big jump, derailing the inflation-sensitive bond market. With Treasury *prices slipping, equity investors* took a breather after running up the value of Dow industrials by 4.5 per cent over the previous six sessions.

Bnt the profit-taking remained light. General Motors, off $⅝ at $51⅛, was showing the biggest drop among the 30 Dow components.

Some of GM's weakness was probably linked to a renewed concern over Chrysler's future performance. Shares in the third-largest *US* car maker were marked down $1¼ to $48¾ on reports thet company insiders had sold stock valued at $7m in late July. Ford shed $⅝ to $30.

Semiconductor stocks were the session's hardest-hit sector. Texas Instruments plunged $4⅛ to $78⅛ after SoundView Financial Group downgraded the issue. Earlier, a Japanese court rejected the company's claim of patent infringement by Fujitsu.

Micron Technology, which was also knocked off SoundView's "buy" list, was down $1⅞ at $41⅞.

NorAm Energy, a leading gas utility and pipeline operator, surged 21 per cent to $7¼. The net gain of $1¼ came in response to a decision by a federal court in Houston to throw out a longstanding lawsuit against the company.

In the pharmaceutical sector, which has come to life amid a flurry of high-profile acquisitions, Warner Lambert gave back $2 to $84¼. During the previous session, the stock bounded $5¾ higher to set a 52-week high.

Many investors were betting that the company's line of con*sumer products would make* it an attractive takeover target.

It was a relatively quiet day on the Nasdaq after eight straight sessions on the upswing.

But Castle Energy jumped $2⅞, or 20 per cent, to $17, its highest level in the past 52 weeks after the company settled a contractual dispute with Metallgesellschaft, the German group.

Canada

Toronto was mixed in sluggish midday trade as gains in precious metals and consumer products were offset by losses in financial services and transportation.

The TSE 300 composite index receded 4.04 to 4,329.67 in volume of 31.0m shares. Advancing issues outpaced declines by 275 to 259, with 298 stocks flat.

Gaining indices included gold and precious metals, with Franco-Nevada leading the advance with a C$2 rise to C$80½.

Lac Minerals firmed C$⅛ to C$15 in heavy turnover after Tuesday's news that Royal Oak Mines had scrapped its takeover bid for Lac.

Mexico

Mexico eased in early trade in reaction to a larger than expected increase in domestic interest rates.

The IPC index slipped 9.28 to 2,723.56 after Banco de Mexico raised the 28-day Treasury Bill primary rate by 51 basis points to 14 per cent in its weekly auction.

Easier bullion price hits S African golds

Gold and mining-related stocks closed slightly lower as the bullion price softened, while industrials were *flat*, with a stronger financial rand tending to cap activity.

Industrials also continued to be depressed by fears abont government spending and an upward trend in inflation, in spite of reassuring comments by President Nelson Mandela.

Golds eased 9 to 2,288, the overall index lost 11 at 5,833 and industrials dipped 4 to 6,535.

De Beers fell R1.50 to R103 and Anglos receded R1 to R259.

Midwits went against the easier trend in golds, moving forward R1.50 to R15, while Loraine shed 50 cents to R21.25 and Kloof dipped 25 cents to R67.

Randcoal ended unchanged at R24 after news that it would merge with Trans-Natal.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: August 26 1994	Dollar terms: % Change over week	Dollar terms: % Change on Dec '93	Local currency terms: August 26 1994	Local currency terms: % Change over week	Local currency terms: % Change on Dec '93
Latin America	(209)	748.61	-0.0	+15.1			
Argentina	(25)	949.94	+3.0	-4.5	582,909.57	+3.0	-4.5
Brazil	(57)	405.04	+2.3	+74.0	1,346,857,576	+1.6	+1,224.4
Chile	(25)	720.17	+3.9	+30.5	1,207.02	+3.9	+26.6
Colombia[1]	(11)	828.61	-7.5	+28.5	1,198.38	-7.4	+29.3
Mexico	(68)	989.82	+2.1	-1.8	1,444.10	+2.3	+7.0
Peru[2]	(11)	146.92	+4.0	+21.5	199.45	+4.9	+25.4
Venezuela[3]	(12)	536.97	-2.5	-9.3	2,098.52	-2.5	+47.6
Asia	(557)	272.47	-1.6	-6.4			
China[4]	(18)	102.22	-0.2	-31.5	110.71	-0.4	-32.5
South Korea[5]	(156)	131.95	+1.0	+11.7	139.12	+0.8	+10.8
Philippines	(18)	317.66	+0.2	-6.7	399.76	+1.9	-10.0
Taiwan, China[6]	(90)	155.85	+2.5	+15.3	154.40	+2.1	+15.4
India[7]	(76)	139.11	-1.1	+19.4	153.84	-1.2	+19.4
Indonesia[8]	(37)	109.23	+3.0	-12.4	128.19	+3.0	-10.0
Malaysia	(105)	303.48	-2.7	-10.5	285.37	-2.7	-15.3
Pakistan[9]	(15)	397.27	-0.6	+2.4	550.60	+0.2	+4.3
Sri Lanka[10]	(5)	164.77	-0.1	+4.2	197.42	+0.0	+3.4
Thailand	(55)	416.20	-2.8	-12.9	412.97	-2.9	-14.5
Euro/Mid East	(125)	124.34	-3.4	-26.6			
Greece	(25)	219.25	-4.3	-3.7	355.11	-1.9	-7.6
Hungary[11]	(5)	197.16	+0.6	+18.3	256.27	+0.6	+26.9
Jordan	(13)	161.60	-0.9	-2.4	231.02	-1.1	-3.5
Poland[12]	(12)	726.74	-6.1	-11.1	1,048.87	-5.9	-5.0
Portugal	(25)	124.51	-0.7	+9.4	137.54	+1.0	-0.4
Turkey[13]	(40)	126.74	-4.2	-40.4	1,949.16	+0.3	+34.0
Zimbabwe[14]	(5)	260.47	+4.3	+26.9	810.56	+4.4	+45.4
Composite	(891)	361.87	-0.0	+1.7			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are. (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1993; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

Politics continued to dominate the Brazilian market last week as the latest opinion polls suggested that Mr Fernando Henrique Cardoso could win in the first round of the general election on October 3. At the same time, steady inflows of foreign cash continued to bolster the local currency, which has appreciated against the US dollar by 11 per cent since the reals was introduced on July 1.

Mr Anthony Parker at Baring Securities commented that experience showed that successful investors traditionally sold when the market looked expensive and bought when it looked cheap, but the country could now be at a watershed and have a reforming president for the next four years, or even longer.

"This could mean that investors will continue to buy," he said. "We think the market could comfortably go up by another 15 per cent before investors become worried about the multiple. Much higher than that, and you would be in a rarified atmosphere."

EUROPE

Paris volatile after rises in lending rates

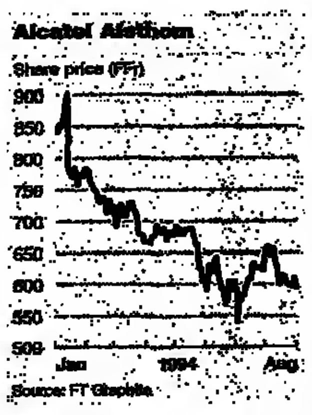
Bourses took little interest in today's Bundesbank meeting, with 19 of 20 European economists telling Reuter that there would be no change in German key interest rates today, *writes Our Markets Staff*.

PARIS was volatile, the CAC 40 index hitting an early low of 2,038.44 after Wednesday's post-bourse rises in French banks' base lending rates; in the end, the key index managed to shrug off a drop in bond futures and closed 8.71 to the good at 2,069.08.

Turnover rose from FFr1.96bn to FFr3.5bn. Alcatel, already depressed by recurring allegations of over-billing, fell FFr6 to FFr599 on an item in *the Canard Enchaine weekly* which covered similar ground. Once again, the company denied the allegations.

AGF, the insurance company, produced lower first-half profits as expected and, again as predicted, forecast higher profits for the year. The shares fell FFr2.20 to FFr228.10. But some financials benefited from the rise in bank base rates, Société Générale putting on FFr7 at FFr582 and BNP FFr3.40 at FFr250.50.

FRANKFURT saw corporate influences in the morning, and derivatives pressure in the afternoon as the Dax rose 2.00 to 2,212.85 on the session, and subsided to 2,207.09 at the post-bourse close. Turnover rose from DM7.6bn to DM8.3bn.



On the session, a DM9.70 rise to *DM837.50 in Daimler*, which reported US-style net profits of DM369m for the first half against a comparable loss of DM949m, was offset by general weakness in the automotive sector and, in particular, a DM6.50 fall to DM498.50 et Volkswagen.

Rumours of a VW rights issue were denied by the company but a fall of DM6.50 to DM498.50 on the session was extended after hours, leaving the stock at DM493.20. Brokers said a fall in the Dax future brought share prices down in the afternoon.

ZURICH saw further strong demand for banking and insurance stocks lift the SMI index 9.9 to 2,645.6, and above the 2,640 resistance level.

FT-SE Actuaries Share Indices THE EUROPEAN SERIES

Aug 31 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1401.04	1404.00	1404.26	1404.31	1405.31	1408.64	1405.05	1405.82
FT-SE Eurotrack 200	1460.57	1463.43	1463.47	1463.89	1464.39	1464.39	1462.17	1460.56

	Aug 30	Aug 26	Aug 25	Aug 24	Aug 23
FT-SE Eurotrack 100	1401.90	1386.89	1370.77	1359.31	1347.78
FT-SE Eurotrack 200	1459.43	1440.58	1433.67	1419.32	1408.10

Base 1000 (26/10/90); High/day: 100 - 1408.31; 200 - 1467.19 Low/day: 100 - 1401.04 200 - 1460.52 † Partial

Among the recently underperforming banks, UBS bearers rose SFr7 to SFr1,174 and CS Holding by SFr8 to SFr552. SBC gained SFr1 at SFr380 on its plan to buy Brinson, a US asset manager, for the equivalent of $750m, which will be paid over seven years, and *some of it in SBC shares*.

Ciba bearers dropped SFr18, or 2.2 per cent, to SFr808 in response to its flat first-half results, which were hit by turbulent financial markets earlier in the year and the strength of the franc.

Roche certificates picked up SFr130 to SFr6,100, with US and British investors said to be switching from Ciba. Sandoz, which reports interim figures today, saw its bearers advance SFr8 to SFr730.

MILAN's early attempts at a rally ran out of steam as a 5 per cent fall in Olivetti soured the mood. The Comit index finished 1.71 higher at 690.53 in very thin trade.

Olivetti fell L112 to L2,123 and its industrial holding company, Cir, finished L82, or 3.6 per cent, down at L2,219.

Mr Andrew Haskins at James Capel noted that the fall came after some weeks of volatility in the Olivetti price.

He said three factors had weighed on the shares. Most relevant were worries about *possible provisioning against* currency losses and losses on bond holdings.

The sale by DEC, of the US, of its 8 per cent stake had also prompted some concern, and there was also the spectre of a renewed round of price-cutting in the pc markets; but Mr Haskins noted that Olivetti's market share had already grown and lower prices were likely to lead to a larger global market.

AMSTERDAM was depressed by an unexpected downturn in first-half net profits at Bolswessanen, the drinks group.

The AEX index fell 1.56 to 419.44 as Bolswessanen dropped Fl 4.10, or 10 per cent, to Fl 38.90. The group announced an 8 per cent decline in net profits, compared with expectations of a rise, and analysts downgraded full-year forecasts.

Among publishers continuing to benefit from a switch to defensive stocks, Wolters Kluwer rose a further 80 cents to Fl 122.10, and VNU was 90 cents higher at Fl 186.40 ahead of its six-month figures which came after the market closed. In the event, the group's 32 per cent profits rise proved to be at the lower end of expectations.

MADRID stayed in the doldrums, turnover falling from Pta15.7bn to Pta13.3bn as the general index closed 1.16 lower at 312.02. Brokers blamed the weaker *dollar and losses in the* debt markets as a result of higher French rates.

Fans of Acerinox, the stainless steels producer, were consoled by a 58 per cent rise in profits and a share price Pta280 higher at Pta15,530.

ISTANBUL lost nearly 4 per cent, the composite index ending 1,039.12 off at 25,282.43, with many investors sidelined by money market fluctuations.

WARSAW fell 4.4 per cent in light volume, with buying discouraged by negative technical signals, the Wig index closing 517.4 down at 11,181.4 as turnover dropped by 20 per cent to 622.0bn zlotys.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Wall Street's ebullience inspires Pacific Rim

Tokyo

Reports of the development of an advanced plastic optical fibre prompted investor interest in telecommunications companies and optical fibre makers, *writes Emiko Terazono in Tokyo*.

The Nikkei 225 average closed 36.41 up at the day's high of 20,628.53 on index-linked buying and purchases by some domestic institutions. The index fell to a low of 20,533.51 in the morning, but it was supported in the afternoon by small-lot buying on reports *of the optical fibre development*, and of a consortium of 45 companies planning to commercialise it.

Volume totalled 264m shares, against 181.2m. Some investors bought telecom stocks ahead of *Japan Telecom's listing* next Tuesday. The Topix index of all first section shares edged ahead 3.02 to 1,640.39 and the Nikkei 300 gained 1.09 at 299.25, but declines led rises by 519 to 389, with 224 issues unchanged. In London the ISE/Nikkei 50 index eased 0.80 to 1,338.66.

Mitsubishi Rayon, the day's most active issue, advanced Y47, or 11 per cent, to Y472. As the leading plastic fibre manufacturer, it will be participating in the consortium. Brokers and investors piled into the stock, which did not trade during the morning due to a lack of sellers. Other beneficiaries included NEC, ahead Y20 at Y1,220, Fujitsu, up Y10 at Y1,090, and Sumitomo Electric Industries, a leading telecom cable company, which firmed Y10 to Y1,500.

Other telecommunication stocks were actively traded. Nitsuko climbed Y40 to Y1,620 and NTT moved ahead Y13,000 to *Y912,000*.

In Osaka, the OSE average receded 20.56 to 22,852.05 in volume of 43.5m shares.

Roundup

The bullish trend in New York was echoed and, in some cases, amplified. Kuala Lumpur was closed for Malaysia's National Day holiday.

HONG KONG's Hang Seng index finished above 9,900 for the first time since mid-March, *rising 242.83*, or 2.5 per cent, to 9,929.39. Turnover climbed again, from HK$5.19bn to HK$6.50bn.

Brokers said the visit to Beijing by US commerce secretary Mr Ron Brown rekindled *American investors' interest* in Hong Kong as well as in China.

Jardine Matheson surged HK$4.75 to HK$72.75 and Jardine Strategic advanced HK$2.90 to HK$32. They had lagged behind the recent mar*ket rise, and news that share* trading of the companies will shift to Singapore from January 3 after delisting from Hong Kong boosted interest.

BOMBAY hit an all-time *high, the BSE 30-share index* adding 62.91 at 4,588.16 on good company results and a normal monsoon.

Brokers said this bull market had more virtues than its predecessor which peaked over *two years ago; the latter, they* added, was fuelled by money which came from the interbank securities market and led to the country's worst ever, $1.28bn financial scandal.

The scandal involved brokers *and bankers who colluded to* divert money from the securities market to the then booming Bombay bourse. Share prices crashed after the scandal was exposed in April 1992.

BANGKOK posted its fourth consecutive gain on foreign buying of banking and communications blue chips, and on active speculative trade. The SET index closed 32.30, or 2.2 per cent, higher at 1,524.83.

Turnover increased from Bt14.2bn to Bt18.6bn. Banks rose 3.3 per cent in Bt5bn of turnover, and communications by 4.3 per cent in Bt2.7bn.

SYDNEY's golds gained 1.4 per cent as the All Ordinaries *index put on 5.6 at 2,122.1.* The Perth-based Orbital Engine jumped 19 cents, or nearly 11 per cent, to A$1.94 on its development of a cheap fuel injection system for motorcycle engines, *claimed to cut pollu*tion by 95 per cent and boost fuel efficiency by 45 per cent.

WELLINGTON was lifted by well received results from Fletcher Challenge, which appreciated 13 cents to *NZ$4.18, a 1994 high for the* industrial conglomerate. The NZSE-40 index moved up 15.67 to 2,148.48.

KARACHI remained under pressure due to political uncertainty, the KSE 100 index fall*ing 34.56* to 2,186.90.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	Tue Aug 30 1994: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	Mon Aug 29 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index: 52 week High	52 week Low	Year ago (approx)
Australia (68)	180.13	0.1	174.18	113.48	148.01	161.19	0.1	3.42	179.92	174.23	113.99	148.08	161.10	189.15	139.24	147.61
Austria (17)	192.70	-0.1	186.33	121.40	158.34	158.01	-0.4	1.01	192.80	186.70	122.14	158.68	158.61	195.41	164.64	172.33
Belgium (37)	174.49	0.2	168.72	109.93	143.37	139.72	-0.2	3.96	174.17	168.66	110.34	143.35	140.05	178.76	143.52	145.98
Canada (104)	135.16	0.2	130.71	85.16	111.06	133.89	0.1	2.53	134.96	130.69	85.50	111.08	133.77	145.31	120.64	127.96
Denmark (33)	252.52	-0.3	244.17	159.09	207.49	214.14	-0.9	1.39	253.40	245.38	160.54	208.55	216.16	275.79	220.58	220.58
Finland (24)	173.90	-0.3	168.15	109.55	142.89	186.07	-0.7	0.75	174.43	168.91	110.50	143.56	187.32	174.43	104.28	109.58
France (97)	176.24	-0.5	170.41	111.03	144.81	149.54	-0.6	2.94	177.03	171.44	112.16	145.71	150.48	185.37	159.34	166.70
Germany (58)	147.73	0.9	142.85	93.07	121.39	121.39	0.7	1.70	146.45	141.82	92.78	120.53	120.53	147.75	124.39	124.58
Hong Kong (56)	394.38	3.2	381.36	248.47	324.07	391.31	3.2	3.13	382.04	369.96	242.04	314.44	379.06	506.56	292.08	292.88
Ireland (14)	208.09	2.0	201.21	131.10	170.98	194.19	2.2	3.26	204.00	197.55	129.24	167.90	190.01	209.33	161.54	169.86
Italy (59)	83.22	-0.6	80.47	52.43	68.38	98.93	-1.1	1.57	83.72	81.07	53.04	68.91	100.01	97.76	67.88	78.93
Japan (469)	164.06	0.4	158.63	103.36	134.81	103.35	-0.2	0.74	163.40	158.24	103.52	134.49	103.52	170.10	124.54	160.19
Malaysia (97)	549.56	0.8	531.40	346.23	451.56	540.08	0.8	1.53	545.02	527.79	345.30	448.58	535.89	621.63	387.74	387.74
Mexico (18)	2300.49	-1.2	2224.44	1449.30	1890.27	8500.25	-1.2	1.57	2327.78	2254.17	1474.73	1915.94	8601.09	2947.08	1515.11	1762.72
Netherland (27)	215.70	-0.4	208.57	135.89	177.24	174.41	-0.7	3.28	216.66	209.81	137.26	178.32	175.68	217.02	180.25	184.04
New Zealand (14)	72.74	-0.5	70.34	45.83	59.77	64.19	-0.4	3.72	73.11	70.80	46.32	60.17	64.44	77.59	59.22	61.18
Norway (23)	208.48	0.1	201.59	131.34	171.30	195.74	-0.3	1.69	208.27	201.68	131.94	171.41	196.30	211.74	165.52	173.65
Singapore (44)	361.33	0.0	349.38	227.64	296.90	249.71	-0.1	1.89	361.42	349.99	228.97	297.46	250.08	378.92	284.30	284.30
South Africa (59)	301.21	0.8	291.25	189.76	247.50	298.22	0.4	2.10	298.89	289.25	189.23	245.83	298.03	305.44	175.93	190.44
Spain (42)	143.71	-0.2	138.96	90.53	118.08	142.65	-0.4	4.04	143.94	139.39	91.19	118.47	143.25	155.79	128.88	140.27
Sweden (36)	220.63	-0.7	213.34	139.00	181.29	252.65	-0.8	1.58	222.18	215.16	140.76	182.87	254.66	231.35	175.83	186.54
Switzerland (47)	161.97	0.3	156.61	102.04	133.08	133.91	-0.1	1.81	161.53	156.43	102.34	132.95	134.04	176.56	135.48	136.86
United Kingdom (204)	203.20	-0.2	196.51	128.03	166.99	196.51	-0.4	3.86	203.74	197.29	129.08	167.69	167.39	214.96	181.11	186.29
USA (517)	194.32	0.3	167.90	122.42	159.67	194.32	0.3	2.78	193.67	187.55	122.70	159.40	193.67	198.04	178.96	186.71
EUROPE (718)	175.02	-0.1	169.24	110.26	143.61	158.75	-0.2	2.93	175.20	169.65	110.99	144.18	159.28	178.58	153.98	157.14
Nordic (116)	216.22	-0.5	209.07	136.22	177.67	211.33	-0.8	1.40	217.30	210.43	137.67	178.84	212.96	222.03	173.18	176.07
Pacific Basin (748)	173.52	0.8	167.79	109.32	142.59	114.19	0.1	1.06	172.57	167.12	109.33	142.04	114.11	176.86	134.79	164.05
Euro-Pacific (1466)	174.03	0.3	168.26	109.64	143.00	131.86	-0.1	1.65	173.55	168.06	109.95	142.84	131.99	176.06	143.88	161.10
North America (621)	190.65	0.2	184.35	120.11	156.65	190.17	0.3	2.76	190.03	184.02	120.39	156.40	189.55	192.73	175.67	184.96
Europe Ex. UK (514)	156.15	0.0	150.99	98.37	128.30	136.66	-0.3	2.37	156.16	151.22	98.93	128.52	137.05	158.12	134.97	137.43
Pacific Ex. Japan (279)	265.66	1.4	256.88	167.36	218.29	236.21	1.3	2.74	262.06	253.80	166.04	215.71	233.12	299.21	200.19	202.34
World Ex. US (1647)	175.59	0.3	169.79	110.62	144.28	135.61	-0.1	1.87	175.13	169.59	110.95	144.14	135.74	178.37	146.58	161.27
World Ex. UK (1960)	178.57	0.3	172.66	112.50	146.73	149.82	0.1	2.01	177.95	172.33	112.74	146.46	149.46	178.67	156.96	167.57
World Ex. So. Af. (2105)	180.00	0.3	174.04	113.40	147.90	152.73	0.1	2.19	179.49	173.81	113.71	147.73	152.65	180.00	166.54	169.39
World Ex. Japan (1695)	191.71	0.2	185.37	120.76	157.53	183.47	0.1	2.80	191.26	185.20	121.16	157.40	183.20	195.20	174.04	176.37
The World Index (2164)	180.79	0.3	174.77	113.87	148.52	153.81	0.1	2.19	180.23	174.53	114.18	148.39	153.72	180.75	158.85	169.41

Latest prices were unavailable for this edition.

A beautiful window of diverse pieces

Deregulation, infrastructural developments and its own resourcefulness all contribute to the region's confidence that it can at last compete with Japan's national capital, writes Michiyo Nakamoto.

In a recent television advertisement, aired in western Japan, demons that bring poverty in national folklore were shown dressed in rags, stalking the grounds of Osaka castle. On hearing of the convenient new Kansai International Airport, they decide to take advantage of its opening to fly east to Tokyo.

The joke, at the expense of the Japanese capital, captures the current mood in Kansai, the region made up of the six prefectures of Osaka, Hyogo, Kyoto, Nara, Wakayama and Shiga that span the western stretch of Japan's main island of Honshu, between the scenic Lake Biwa on the east and the Chugoku mountain range on the west.

After years of trying to catch up and compete with Tokyo, and of suffering unflattering comparisons with its more cosmopolitan rival as a result, Kansai has recently begun to feel a greater confidence in what it has to offer as an alternstive to the capital.

"The advantage of being in Kansai is that you are less disrupted by political noise," says Mr Tsuzo Murase, executive vice-president of Matsushita, the world's largest consumer electronics group, which has its headquarters in Osaka.

Businessmen point to the greater openness of Kansai people to new ideas, compared with Tokyo, their ability to make quick decisions and their talent for spotting new business opportunities, as evidence that the region is better suited to the more competitive business environment in the 1990s. Confidence in the region is such that the 21st century is being hailed as the era of Kansai, as opposed to Tokyo.

What will make Kansai so special in the years ahead, according to its proponents, is the different opportunities the region offers from Tokyo. For one thing, its relative proximity to the Asian continent and the large number of non-Japanese Asian visitors it receives each year, gives Kansai a better chance than Tokyo of capitalising on the huge potential for growth that the continent holds.

IN THIS SURVEY

The recent momentum behind deregulation in Japan also offers hope that, as the central bureaucracy in Tokyo is forced to loosen its tight hold on economic life, Kansai – birthplace of many unique new businesses, ranging from karaoke and sushi served on conveyor belts to capsule hotels – will be better able to capitalise on its gift for coming up with enterprising ideas.

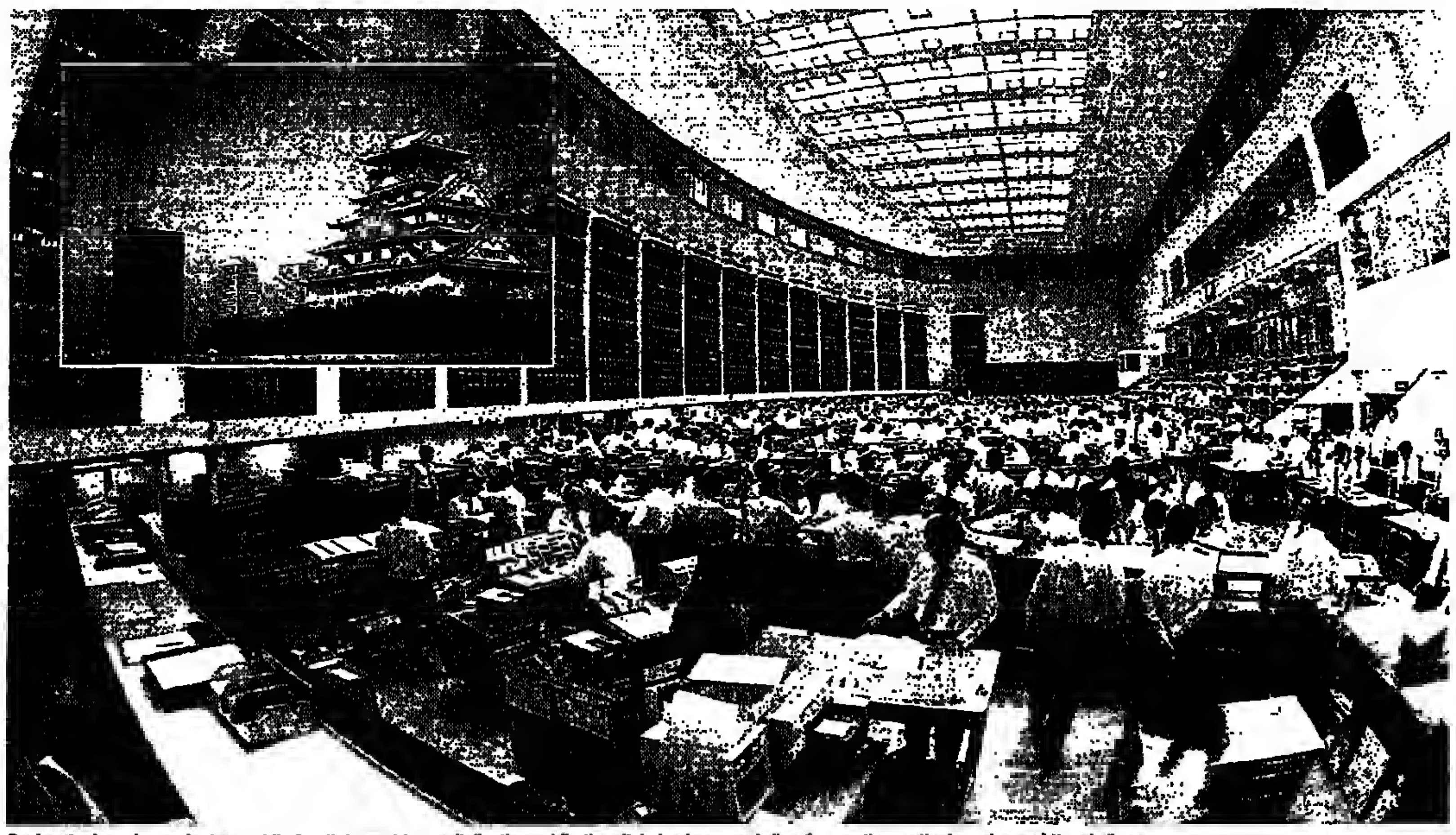
Even the diversity and traditional lack of cohesiveness of the Kansai region – a curious collection of six prefectures, each with its own distinct cultural and historical identity, which seem to have little in common except their proximity to each other – is beginning to be appreciated as a source of the region's vitality.

Mr Masafumi Onishi, chairman of the Osaka chamber of commerce and industry, and of Osaka Gas, likens Kansai to a stained-glass window in which very different parts make up a beautiful whole.

But the infectious optimism that pervades the Kansai establishment stems also from a conviction that, with the recent completion of a range of ambitious infrastructural projects, the region is finally coming into its own. For the first time in many years, Kansai people feel they have everything that their compatriots in Tokyo have.

From this month, the region will have the impressive new international airport that is slated to offer Japan's first 24-hour air terminal services, and which will be a hub for domestic flights. Osaka Bay, along which lie some of the region's most vibrant cities, such as Osaka itself and Kobe, a famous port, is now the proud home of no fewer than three man-made islands, one of which is the site of the new airport.

The narrow corridor of sea that separates the city of Akashi, in Hyogo prefecture, from Awaji island will soon be spanned by a spectacular suspension bridge that, it is claimed, will be the longest in the world. And further south, just off the coast of Wakayama prefecture, another artificial island has been built to accommodate Japan's biggest marina.



Osaka stock exchange is the world's fourth largest by capitalisation; while the city's business park (inset), near the castle, has changed the skyline

Main picture: Ashley Ashwood

On land, a vast science, culture and art centre, covering 15,000 hectares in the three prefectures of Kyoto, Osaka and Nara, is taking shape; while the skylines of principal cities in the region have been transformed by the high-rise office buildings and expansive business parks, such as the Osaka business park near the Osaka castle, that have been built in recent years.

This frantic investment in infrastructure, which is costing the regional economy dearly, was Kansai's response to a sense of crisis that gripped its economic leaders several years ago. Unless something was done to revitalise the region, they feared, its vitality could be sapped by the growing dominance of Tokyo and its neighbouring prefectures on the Kanto plains.

Tokyo, the centre of Japan's political, economic and cultural life since the end of the war, seemed to have everything; while Kansai, which encompasses the ancient capitals of Nara and Kyoto as well as the merchants' city of Osaka and the port city of Kobe, has long been regarded as a region steeped in history and bubbling with creative ideas, but not quite able to claim the world-class stature of Tokyo.

While Kansai's gross regional product is equal approximately to that of Canada, and is forecast to exceed that of the UK by the year 2000, there has been a strong feeling among the business community that the region's economic vitality has not received the recognition it deserves.

Osaka, Kansai's economic powerhouse, boasts a stock exchange that is the fourth largest in the world by market capitalisation, global giants such as Matsushita, and the largest concentration of pharmaceuticals companies in the country. Its history as a merchant town has encouraged an entrepreneurial spirit and an openness to new ideas that is unknown in Tokyo; and it has created a distinct culture that gave birth to such national phenomena as Yoshimoto Kogyo, an entertainment company that has provided Japan with most of its famous comedians.

Kyoto and Nara, two ancient capitals, are treasure-houses of traditional Japanese culture; while Kyoto is the home of many vibrant new businesses, ranging from the industrial ceramics leader Kyocera to Nintendo, the video games company. Kobe, a famous port renowned for its tender beef, is also a bustling commercial centre.

Despite these accomplishments, Kansai has, for much of Japan's post-war history, felt that it has been forced to play second fiddle to Tokyo. Moreover, in recent years the increasing concentration of wealth and information in the capital has led many businesses that originated in Kansai to move their headquarters operations to Tokyo. Kansai's share of Japan's GNP fell from 18.2 per cent in 1980 to 17.2 per cent in 1990, according to the Centre for Revitalising Kansai Industry.

Concern among Kansai business leaders about the deteriorating state of the economy had prompted a long period of collective angst, particularly in Osaka, as they jealously watched Tokyo reap what seemed an unequal share of the benefits and the glory of Japan's post-war economic miracle.

However, the gradual completion of big infrastructural projects is raising hopes that the region now has the means to compete for both business and recognition. In the next few years, it will have the means to accommodate its expected growth in economic activity.

The bigger immediate challenge is to show that, in the aftermath of a prolonged nationwide recession and a regional spending spree, it can still generate that activity.

The economy: **Michiyo Nakamoto** finds popular optimism running ahead of actual recovery

Feeling good under grey skies

The ticket vending machines at Osaka station offer a convenience unknown in other parts of Japan. Instead of having to patiently insert one coin at s time, ticket buyers can throw in up to five coins all at once.

Right in front of the station, the traffic lights inform pedestrians how much longer they must wait for the light to turn green.

The ticket machines and traffic lights suit the restless nature of the tradesmen of Osaka, the commercial heartland of the Kansai region, where the pace is fast and the people are *irachi* – or impatient, in the down-to-earth local dialect.

Lately, the innate impatience of Osaka folk, coupled with their natural optimism, has extended to their views of the economy, prompting a growing feeling that the recovery which the whole of Japan has been anxiously waiting for, has finally arrived.

It has arrived, Osaka street wisdom has it, not in Tokyo but in the Kansai.

Even the national press has highlighted the recent plethora of publications on Kansai, the increase in new car registrations in June, and the jump in travellers to the cities of Kyoto and Osaka this year, and has concluded that Kansai is further down the road to recovery than Kanto, the region consisting of Tokyo and its surrounding prefectures.

"Although it may not show in the statistics, people say that there is a liveliness in the Kansai economy," asserts Mr Takaharu Akitake, general manager of the Kansai economy research department, at Daiwa Research Institute in Osaka. "There are no bright spots on the horizon in Tokyo as far as the economy is concerned, but as a region, Kansai is feeling healthy," he says.

But available evidance hardly justifies such confidence. The region's gross product fell last year for the first time in 18 years, by 0.1 per cent. Osaka's business district suffers an embarrassing abundance of empty offices, and the streets are littered witb "for rent" signs.


Osaka Business Park was developed to meet demand for office space

Commercial land prices in the Osaka area fell 19.5 per cent in 1992 and 24 per cent in 1993, while residential property prices saw a fall of 23 per cent two years ago and 17 per cent last year, according to the Osaka chamber of commerce and industry. And prices are still falling.

"For the next three years the Osaka market is going to be a tenants' market," says Mr Paul Boylan, a consultant to Sekisui House, Japan's largest house builder. "Rents are falling, land prices are falling and the knock-on effect from the Kansai International Airport is not happening."

Large new developments like the Osaka Business Park, Rokko Island and Rinku Town were developed to meet rising demand for office space, but the collapse of the property market since the turn of the decade has left many of the new high-rise buildings only partially occupied.

Ambitious plans for Rinku Town, being developed at a site near the new international airport, had to be cancelled, and

Osaka has an abundance of empty offices, and streets lined with 'for rent' signs

Osaka prefecture is instead making the spaca available temporarily for fairs and various events.

Nor have the banks based in the Kansai region been spared the massive bad debts that have weighed heavily on Japan's financial system in the past few years.

The region has had its share of scandals, stemming from the years of financial and speculative excess in the late 1980s – such as the disclosure that the prestigious Industrial Bank of Japan had made loans of up to Y240bn to an Osaka restaurateur, who made speculative stock market purchases based on seances and has been charged with fraud and forgery.

Companies based in Kansai, from Matsushita, the world's largest consumer electronics company, to Obayashi, the general contractor which owns Bracken House, are still suffering from tha debilitating effects of Japan's longest recession since the war.

Meanwhile, traditional industries, such as textiles, which used to support the region's economy, have suffered not only from the downturn in consumer spending but also from an influx of cheaper imports from other Asian countries.

Nishijin, a town outside Kyoto where expensive, traditional silk kimono are woven by hand, has seen the number of families in the business fall from 270,000 to just 20,000. "At the present, Nishijin weaving is surviving as an industry. But there is a question as to what will happen in five years' time," laments Mr Yoshio Katsuyama, a director of the Nishijin weavers' industry union.

The slump in consumer spending, which has bit department stores sales particularly hard, has forced Seibu, a prestigious retailer, to take the unprecedented step of closing its store in Kobe.

Nevertheless, hopes are rising that, with the worst of the recession behind it, Kansai can take tha lead in pulling the country out of recession.

With the current coalition government facing an uncertain future, and with many conventional business practices being questioned, Tokyo companies will not be able to take advantage of their proximity to the central halls of power, reckons Mr Yoshihiro Otani, general manager of public relations at the Osaka chamber of commerce.

In contrast to Tokyo's current powerlessness, he says, "Kansai businesses have always relied on their own strength rather than on the central government."

Faced with uncertainty, Kansai is thus better placed to pull itself out of the long downward spiral of the past few years by sheer ingenuity and drive. "The 21st century is the era of Kansai," Mr Otani declares.

Part of this optimism in Kansai can ba attributed to the psychological impact of the many large-scale projects that are expected to significantly improve the area's infrastructure and increase its cultural and academic appeal.

Apart from the international airport, which will bring more tourists and businessmen to the area, the new roads and railways, built to accommodate the increased traffic, the need for surrounding facilities, such as distribution warehouses and conference halls, and new services, are expected to raise economic activity. Investment in surrounding facilities totals Y3,000bn ($30bn) says Daiwa's Mr Akitake.

In addition, projects to build facilities such as the Kansai Science City, will bring research and cultural activities to the area. Science City, which spans Osaka, Kyoto and Nara, is the site of the first multimedia experiments being held under the auspices of the ministry of posts and telecommunications.

The Akashi Kaikyo Bridge, connecting Awaji Island with the mainland, will become the longest suspension bridge in the world. Wakayama, to the west of Osaka, will host an international resort exposition this year on a reclaimed island in the Sea of Japan.

All of this activity will help to spur economic growth in the Kansai region by 1.3 per cent this year and 3.3 per cent in 1995, Daiwa Research forecasts.

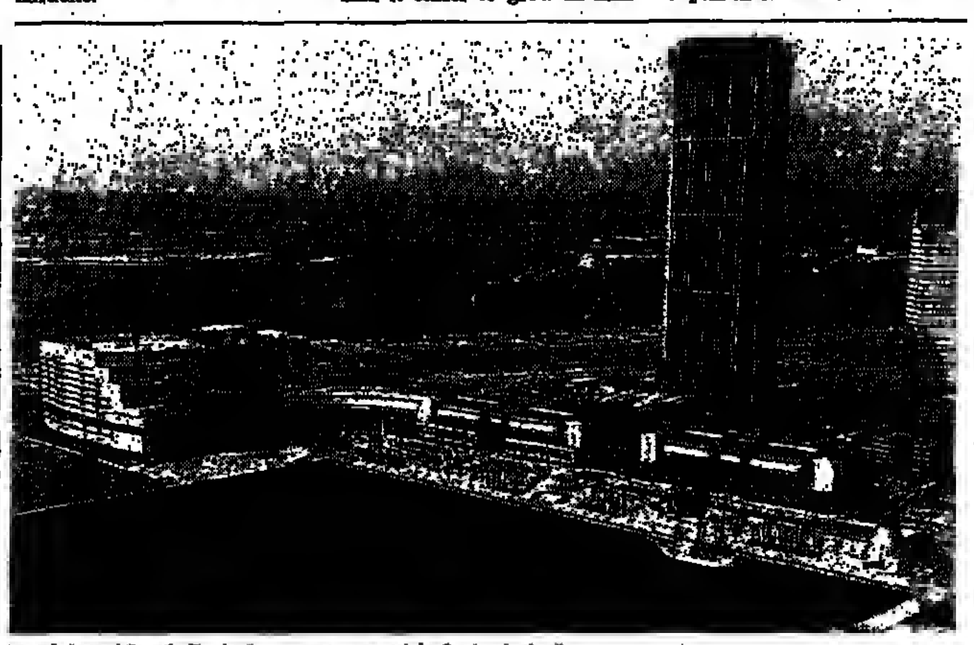
Observers also believe that the push for economic deregulation that is being seen in Tokyo is another reason why Kansai has s better chance of recovery than Tokyo. The region has always fostered an entrepreneurial spirit that has in the past given rise to new businesses, such as instant noodles (which have become a staple throughout Japan), self-service sushi bars and karaoke.


Science City is the site of multimedia experiments, under the auspices of the ministry of telecommunications

But for many years, Kansai has had to watch successful businesses move out to Tokyo in order to be close to the sources of information and the seat of political and bureaucratic power.

As the bureaucracy is increasingly forced to relax its grip on authority and on information, more businesses will find it easier to grow in Kansai, and the region will benefit from its intrinsic resourcefulness, Mr Akitake believes.

"It would be dangerous to have everything concentrated in Tokyo," he warns. With the new airport, improved infrastructure and less red tape, Kansai can now offer an alternative. "This is not just for the good of Kansai, but the good of Japan as a whole."


The Asia and Pacific Trade Centre was opened, in Osaka, in April

Trade links with Asia are increasingly important

In place of the west

To declare that Kansai has important commercial ties with Asia – as Kansai officials and businessmen often do – is something of a truism: Japan's whole economy is dependent on Asia, and Kansai is no exception.

Like other Japanese companies, Kansai-based corporations snch as Matsushita Electric and Sharp have invested and traded heavily in Asia. Like other regions of Japan, Kansai has been affected by the strength of the yen, and its industries are embarking on a new round of factory relocations from Japan to cheaper sites in south-east Asia and China.

But Kansai boasts that its trade links with other Asian countries go back to the eighth century, when Nara was a terminus of the silk road; and even to the fifth century, when Osaka is said to have thrived as one of Japan's first sea ports.

Today Kansai collectively continues to emphasise the importance of Asia and Asia's fast-growing economies. Businessmen, disappointed by the performance of thair investments in Europe and America, sometimes take it for granted that tha west is in decline and therefore rely on Asia more than ever.

About 47 per cent of exports from Kansai go to Asia – more than to North America and Europe combined. (Asia takes only 34 per cent of Japanese exports as a whole). Asia also provides the biggest share of Kansai's imports (43 per cent, compared with 32 per cent for the whole of Japan).

Traditionally, most of these

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Politics: **William Dawkins** on an enduring consensus

A regional lesson for national rulers

Jspan's lurch over the past year into an era of unstable coalition governments has raised ironic smiles among Kansai politicians.

Mainstream political parties, with tha expection of the eccentric communists, have been working together in Kansai in what might he described as loose coalitions for many years. Thay may have a lesson to teach their national government colleagues in Tokyo, who struggle to achieve political stability in their fourth government within the space of a year.

In Osaka and Kyoto, the two most populous of the six prefectures that make np Kansai, local governors and mayors are chosen by agreement between the main parties, and can count on cross-party support. Japan's tradition of consensus remains strong in Kansai politics, just as it is breaking down on the national stage.

"Politics bere are entirely different from central politics. The Liberal Democratic party [LDP] is in a minority and other parties are very strong," says Mr Hajime Ishii, member of parliament for the Japan Renewal party (JRP) – a national reform-minded group formed in June last year – from Hyogo prefecture and former home affairs minister.

Mr Teiichi Aramaki, an independent in his eighth year as governor of Kyoto, says the national political turmoil has had no impact on local politics. He and his prefectural colleagues are more interested in defending the interests of the community, than in waging backroom battles over political philosophy.

The same hahit of co-operation exists in Osaka. "We decide our own policies, and the governor co-ordinates if there is a discrepancy. We all support the governor," explains Mr Tokuo Nishikawa, secretary general of the left-wing Social Democratic Party (SDP) in Osaka. "Communications between parties here are very good, and there is not much room for disagreement on the main policies," says his opposite number at the Osaka branch of the conservative LDP, Mr Yoshio Matsui.

The balance of power in Osaka, the biggest prefecture, is more or less in line with the national balance, with one exception. Komeito, the Buddhist-linked clean-government party, has a stronger than average showing there. It was founded in Osaka, and has strong support from lower middle class employees of the prefecture's legions of small subcontractors, says the

In Osaka and Kyoto, governors and mayors are chosen by agreement between parties, and can count on cross-party support

SDP's Mr Nishikawa. Overall, the LDP has the strongest power base in Osaka, with 48 seats on the 104-seat prefectural assembly, followed hy the SDP with 23, Komeito with 18, the Japan Communist party with 11, and three independents.

Osaka politics may be differeot, hut the need to maintain contacts in Tokyo is as crucial as ever. The region is dependent on central government in Tokyo for cash to fund its ambitious projects, such as a hadly needed extension to Kansai airport – short of capacity before it even opens – and Kansai Science City.

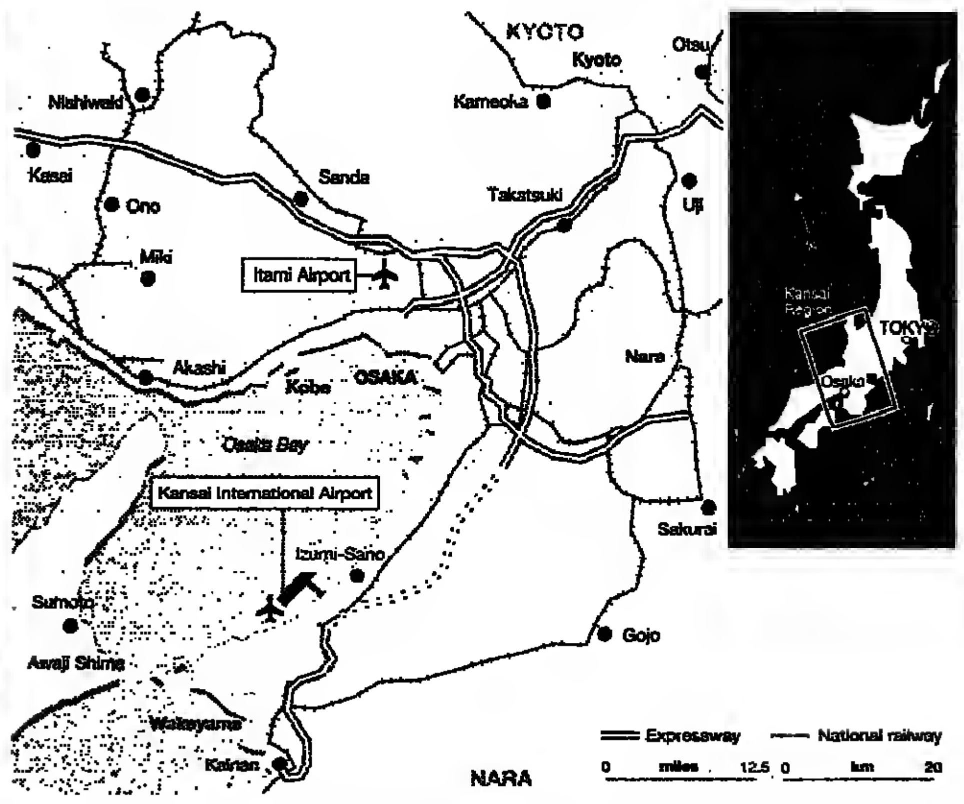
Traditionally, local politicians have relied on three clear lines of influence to defend their interests in central government; members of parliament; the LDP's sectoral lobby groups, known as zoku; and direct approaches to the government ministries concerned with particular issues. The weakening of the LDP and its formerly powerful zoku, due to its 11-month spell in opposition until returning to power at the end of June, means that local politicians will increasingly rely on direct lobbying to the government bureaucracy.

"It is a very slow system. It took us 10 years of lobbying to complete one runway for the new airport, and now we need another one. Over the past year, we have had a very hard time trying to get the budget for this. First the governor had to approach the Hosokawa cabinet, then a few months later there was the Hata cabinet, and now we are back in power," says the LDP's Mr Matsui.

The LDP, SDP, JRP and Komeito see eye to eye on the most important regional policies, to continue promoting Kansai's big public works projects, to lobby for greater budget independence from central government, and to channel more financial support to the small businesses that make up the backbone of the regional economy.

In Kyoto, the main item on governor Aramaki's big-ticket shopping list is a new government guesthouse in the grounds of the city's former imperial palace. He thinks it is high tims the Japanese government lodged visiting dignitaries in a traditional Japanese-style house, rather than the present miniature of Versailles in central Tokyo. If Mr Aramaki gets his wish, whicb hangs on a central government decision dne in the next few months, he hopes to persuade the government to hold the Group of Seven annual summit in Kyoto, when it is Japan's next turn to host the G7 in 2000.

Mr Teiichi Aramaki is in his eighth year as governor of Kyoto



One of the most pressing concerns for the JRP's Mr Ishii is to give greater control over fiscal policy to the prefectures. "At the moment, two thirds of the region's taxes go to central government, yet two thirds of regional spending is made by local government. That means one third of tax revenues have to be transferred from central to local government. We need direct local taxation," he says.

That, argues Mr Ishii, will be the key to transferring more power from central government to tbe regions. This has been a suhject of much political debate and little concrete progress for the past decade, briefly relaunched by Mr Moribiro Hosokawa's reform-minded governmeot last year.

"Transferring more power to local governmeot is a very slow business, because we are still rooted in tbe strong central government traditions of the Meiji era," says Mr Ishii, referring to tbe birtb of modern Japan in the late 19th century. Mr Nishikawa, of Osaka's socialist group, believes central governmeot is becoming more sensitive to demands for decentralisation.

At the LDP, Mr Matsui says his most important policy issue is to expand tbe volume of low-interest loans for small husinesses, to belp tbem survive the impact of the yeo's rise. Here he is hoping to expand support for local trust hanks and farmers' co-operatives, which, unlike other banks, are controlled by the prefecture rather than the ministry of finance in Tokyo.

Mr Matsui argues: "Tbe yen's rise companies all tbe way down the line, but the smallest ones at the end of the chain of subcootracters are the most vulnerahle. We must do what we can."

Small companies look increasingly to Asia

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imports to Japan have been raw materials or agricultural and seafood products – logs from Asia's dwindling tropical forests can be seen floating in the big lumber pools at Osaka's port – but they now inclnde electronic goods and vehicle components made by Japanese factories in south-east Asia.

"We still serve as the gateway for south-east Asian prodncts, and also we've made large-scale investments in practically all countries in Asia," says Mr Michio Sugimoto, managing director of the Osaks chamber of commerce and industry. In the lobby of the chamber's building, a digital sign keeps track of the rise of the yen against the dollar, an obsession for Japanese companies which are finding it harder and harder to compete in international markets.

"Lots of small companies in Osaka are now thinking of investing in Asia, Inclnding China and Vietnam," says Mr Kazuo Ishii, director general uf the Japan External Trade Organisation's Osaka branch.

Kobe and Osaka handle some 40 per cent of Japan's growing trade with China, where there is a market of 1.2bn people

The potential of Cbina's domestic market of 1.2bn people and the size of its lsbour force have attracted intense interest – and lovestments – from local hnsinesses; the ports of Kobe and Osaka handle some 40 per cent of Japan's growing trade with China. "One of our staff in Osaka wbo came from Beijing is now very hnsy giving lectnres on China," says Mr Ishii.

Kansai's reputation as a centre of commerce is enhanced hy the large number of foreigners living in the region. They include half of Japan's 700,000 Koreans (who provide links to both South and North Korea), Indians based in Kobe (who trade with Africa and the Indian subcontinent), and Chinese residents.

Mr Tetsuro Kawakami: 'this area has strong traditional ties with east Asia'

Both the Osaka Fnreign Trade Association and the Kansai Economic Federation (Kankeiren) are seeking to strengthen their links with the overseas Chinese, whn dominate commerce and distribution throughout much of Asia.

Japanese government organisations, along with local authorities and businesses in Kansai, have also promoted several big projects to improve Kansai's standing as an Asian and international commercial centre.

These include the new airport, whose 24-hour operation will be particularly useful for regional air freight services used for everything from seafood and cut flowers to microchips, and the Asia and Pacific Trade Centre (ATC) opened in Osaka in April.

One of the ATC's principal aims is to promote imports from Asia, to deflect criticism of Japan's trade surpluses and the difficulty of selling goods in the Japanese market.

"We'd like to energise transport links between Japan and the rest of the world, and traditionally this area has strong ties with east Asia," says Mr Tetsuro Kawakami, chairman of Kankeiren and of Sumitomo Electric Industries.

In the future increasingly high-level technology will be transferred from Japan to other countries in Asia, he believes. "We can't survive witbont onr east Asian partners," says Mr Kawakami. "We have to divide our work with them."

Victor Mallet

Michiyo Nakamoto assesses the impact of the new airport

Progress without vision

The airport, built on reclaimed land 4 kilometres off the shore of Osaka, opens 18 months late this Sunday

"On a clear day you should be able to see Awaji Island across the water," the driver says, as he steers his taxi down the eye-catching, double-layered bridge that spans the stretch of sea between the mainland and Kansai International Airport (KIA).

"Unfortunately, there's usually a mist over the water, and it's hardly ever possible to see the island," he adds apologetically.

Kansai's striking new international airport may have many things in its favour, but clarity of vision is not one of its strengths, whether in the surrounding atmosphere or in its ambitious plans to become Japan's preferred hub for international travel.

Seven years after construction work started, the airport, built on reclaimed land about 4 kilometres off the shore of Osaka, opens 18 months late this Sunday with less than half the expected number of flights, a sinking foundation and uncertainty surrounding expansion plans that are crucial if the airport is to become the gateway to the world that it hopes to be.

KIA's stumbling start throws into relief the lofty ambitions that inspired its private and public owners to embark on the costly and daunting task of building the world's first offshore airport.

The development that has been publicised as Japan's first 24-hour airport was conceived as the much-needed public project to transform its host city, Osaka, from an urban sprawl on the eastern edge of Asia to a shining metropolis. The opening of Kansai's doors to greater international traffic, it was believed, would place the region firmly on the map of every globe-trotting policy-maker and businessman, and do wonders to the regional economy.

It may still happen. But even before its opening, the image of Kansai has been hurt, rather than helped, by the airport and its myriad woes which have overshadowed the positive aspects of the airport, such as the striking terminal building designed by Italian architect Renzo Piano, or the convenience it offers by servicing both domestic and international flights.

To many people, KIA is known as the sinking airport. The first ever to be built on a man-made island, it ran up costs far exceeding initial estimates, largely because the land on which it is built sank more than was expected and had to be repeatedly fortified.

When experts gave opinions as to how much the island would sink, the airport authorities, with characteristic Kansai optimism, took the lower end of their estimates.

The image of Kansai has been hurt, rather than helped, by the airport and the myriad woes that have overshadowed the project's positive aspects ...

"While construction work was going on, it emerged that the worst scenario was in fact the most accurate," explains Mr Zenjiro Ogawa, managing director and vice-president of Kansai International Airport Company (KIAC), the airport's operators. The island will sink about one more metre, but this is in line with expectations, he says reassuringly.

The result of the initial miscalculation, however, is that costs have surged from Y1,000bn ($10m) to Y1,500bn, leaving the airport saddled with over Y1,000bn in debt. Interest payments alone amount to Y100m a day, and the airport is expected to suffer a loss of Y55bn in its first year.

"We have to explore whether we will have to redraw our long-term plan or whether there is a way to avoid doing so," concedes Mr Ogawa.

KIAC had planned to make a profit in five years, and to complete loan repayments and start paying dividends in 23 years. But now the company expects to have to delay repayment of loans.

In order to minimise the damage, KIAC was initially forced to set landing-fees at a rate surpassing those at Narita, Tokyo's international airport which until this month enjoyed the notoriety of being the world's most expensive one.

The move backfired, however, and KIAC found itself unable to attract as many flights as it had been hoped, because increasingly cost-conscious airlines balked at having to pay Y995,000 each time they landed.

Airport officials were locked in negotiations until the last minute with the International Air Transport Association (Iata), which found KIAC's fees unacceptable.

"We are a private company, and we must collect fees that cover our costs, otherwise we cannot exist," Mr Ogawa protests. KIA's landing fees are only 10 per cent higher than those at Narita, an amount that airlines can easily recoup by signing up a few extra customers, he says.

In the end, just weeks before the airport was scheduled to open, the KIAC agreed to lower its fees to match those charged at Narita. But the move hardly bodes well for KIA's efforts to earn as much as it can in fees towards the construction of two more runways.

Without that increased capacity, KIA will not be able to realise its true potential as an Asian hub. Having got over one hurdle, in setting initial landing-fees, the airport operators now face another, even more contentious battle over how much of the estimated expansion cost of about Y1,000m is to be shouldered by the national and local govern

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KIA may encourage relocation

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ments, the local business community and the airport itself.

Nevertheless, KIAC and the airport's loyal supporters in Kansai remain optimistic about its long-term prospects.

Mr Takaharu Akitake, general manager of the Kansai economy research department, at Daiwa Research Institute, is one who believes strongly that the international airport will help revitalise the regional economy. Osaka International airport, which had served the region's international needs, is already up to capacity and has no room for expansion. The opening of KIA will encourage new companies to locate in the Kansai region, and make it easier to hold international conferences here, Mr Akitake points out. "Osaka then offers an alternative to Tokyo."

The expected increase in cargo traffic will also help the regional economy. As much as 85 per cent of air cargo in Japan is concentrated at Narita, the world's largest handler of air cargo. Since a large proportion of this is delivered to the Kansai area, KIA, which has the capacity to handle 1.4m tonnes of cargo a year, is expected to take much of the burden off Narita.

The new airport is also expected to stimulate more business with Asia. KIA offers direct flights to Asian countries not represented at Narita, including Nepal, Vietnam and Mongolia.

Assuming that KIA signs up 397 international flights and 441 domestic flights a week, the research institute expects the extra economic activity generated by the airport to add 1.56 per cent to the gross regional product.

There is a shortage of airport facilities in Japan, Mr Ogawa points out. "Narita is full, so the fact is that Japan needs another international airport."

Compared with Narita, which is far from Tokyo's domestic airport, KIA, which serves both international and domestic flights, offers the convenience of easy transit to and from principal cities throughout Japan and the world.

The presence of such large manufacturing companies as Matsushita has supported an enormous network of suppliers

Osaka's small businesses are under pressure

Feeling the price-squeeze

***The hidden strength of* Osaka's economy, its army of subcontractors, is coming under unprecedented pressure.**

The presence of some of Japan's largest manufacturing companies in the prefecture, like Matsushita and Sharp, has supported an enormous network of suppliers, so that small businesses make up a larger than average share of Osaka's economy.

More than 90 per cent of the local workforce is employed in companies of less than 300 staff. They produce 65.5 per cent of the region's industrial turnover, well above the 54.2 per cent for small businesses in the Tokyo region, according to the Osaka prefectural institute for advanced industry development.

As in the rest of Japan, the leading manufacturers have squeezed their suppliers' prices hard during the recession, as part of their cost-cutting strategies. This has been intense enough to drive some of the weaker suppliers out of business. At the start of Japan's recession in 1991, bankruptcies in Osaka grew faster than the number of new businesses for the first time. The sad trend has continued, says Mr Moriyuki Tsuda, director of industrial research at Osaka prefecture.

A tour of local subcontractors suggests that prices are still under pressure, despite signs of an economic upturn, as the latest rise in the yen's value intensifies the pressure on export-dependent businesses to trim their costs. Suppliers of the big electronics companies are an example, says Mr Tsuda.

The big manufacturers are understandably reluctant to push too many of their suppliers too hard, partly

> The rising yen has intensified the pressure on export-dependent businesses to trim costs

because of traditional loyalties, but also because Osaka, like the rest of Japan, faces a labour shortage over the long term.

A classic example of pressures on Osaka's subcontractors is Takizawa Precision Gear, a tiny producer of machine gears, which has determinedly kept on its 14 staff throughout the recession.

Mr Kiyoshi Takizawa, its president, whose father founded the business in 1950, devotes 40 per cent of annual sales to his top three customers. The exposure is big enough to make it impossible for the company to resist their demands for price cuts of between 5 per cent and 15 per cent every year for the past four years.

Sales have shrunk from Y300m to Y200m over the same period, perilously close to Takizawa's Y180m break-even point. Instead of sacking his tiny workforce, Mr Takizawa has increased spending on training, borrowed Y50m to re-equip with Swiss machine tools and carried ont an engineering cost analysis. He took on two new employees last April, because he says the business will lose its edge if be does not rejnvenate the workforce.

Mr Takizawa's strategy of investing through a recession was typical of Japanese industry in the 1980s, but has been widely abandoned by most of its largest customers in the recent downturn. He justifies sticking to the old invest-or-die approach on the grounds that Takizawa has few foreign competitors, operating with the advantage of cheaper local currencies. This allows him to market more on quality than on price. But Mr Takizawa admits that "there is nothing we can do" if the Japanese market continues to shrink.

William Dawkins

Pharmaceuticals in crisis

Consolidation is the likely cure

Along the narrow bicycle-lined street of Dosho-machi, in the Chuo-ku district of Osaka, are located some of Japan's biggest drugs companies. By western standards, the headquarters are modest, lacking in ostentation. That is partly Japanese corporate style, but more significantly it reflects the failure of these companies, and their Tokyo counterparts, to compete on a global basis.

Japanese drugs groups' sales growth is slowing; pre-tax profits for many companies ere forecast to decline; and tbeir strength by comparisoo with their western counterparts continues to deteriorate.

The industry needs to restructure. Companies do not have sufficient sales to finance the R&D essential to ensure long-term survival.

When the industry does eventually rationalise, the process will probably involve a consolidation of drugs companies into larger groups, with those in Tokyo merging with their local counterparts, and those Osaka-based businesses in Kansai linking up with their neighbours.

Tbose located in Osaka include Takeda, Shionogi and Fujisawa. These are among the largest drugs groups in Japan. Indeed, Takeda is Japan's largest pharmaceuticals manufacturer. Yet in world terms, the Osaka-based companies – as well as the Tokyo-based groups – are pharmaceutical pygmies. Only Takeda, is rated in the world top 20 drugs groups by sales, and only four Japanese pharmaceuticals companies are in the top 30.

The reason is their failure to internationalise. In spite of some small-scale and mostly disastrous overseas acquisitions, and occasional investment in US and European development activities, the Japanese remain dependent on their domestic market. Only four groups generate more 10 per cent of their sales overseas.

Dependency on domestic sales has beeo all the more debilitating because of the dire state of the Japanese market. The government, cash-strapped by falling tax receipts during the recession and appalled by demographic trends that indicate nearly a quarter of the population will be over 65 by the year 2025, has attempted to cut health-spending by attacking the drugs bill. These efforts have included demand-side controls, as well as price cuts.

The combined consequences of the groups' lack of scale and the biennial price cuts are immense. It means the Japanese spend less than their western counterparts on R&D, and what they do spend is often misdirected. Admittedly, the industry spends a respectable proportion of sales on R&D; but because the groups' sales base is so small, the actual amounts evailabte remain pitiful compared with western organisations.

These meagre amounts might possibly be enough to assure survival, if they were spent appropriately. But much R&D investmant is misdirected. Kunio Takeda, president of Takeda Chemical, explains that in order to counter the price cuts: "Manufacturers resorted to launching modified [non-innovative] compounds to conserve development costs and time. Such policies are likely to damage the industry."

This led to a massive rise in the number of new chemical entities developed in Japan in recent years. The increase was mistaken by some observers as an explosion in innovative research. Between 1975 and 1989, Japanese companies launched 212 new chemical entities. Few of these were innovative enough to be used overseas.

Given the Osaka-based groups' proximity to each other, consolidation would, in theory, not bs too arduous. Mergers tend to occur in Japan only when companies are in crisis. Admittedly, no Japanese drugs group is losing money, but the crisis assailing them is no less real. Drugs companies' directors must swallow their pride, consolidate their industry, refocus R&D, and internationalise. The alternative is permanent marginalisation.

Paul Abrahams

Conserving a culture

No business like funny business

Few Japanese people would consider a sense of humour to be a national characteristic. But in Kansai, cracking jokes is a way of life.

"When they are late for an appointment, Osaka folk will often greet their companion with a joke instead of apologising for their tardiness," observes Mr Kenji Miyashita, editor of the Kansai edition of PIA, a popular weekly magazine on city trends and events.

This instinctive humour has given rise to a strain of comedy that is distinctly Kansai, and which is exemplified in Yoshimoto Kogyo, one of the most successful entertainment companies in Japan. Amid one of the country's gtoomiest post-war periods, Yoshimoto has been doing a roaring trade selling Kansai laughter. The company owns three theatres in Osaks, and earlier this year opened anotber in the classy Ginza district of Tokyo.

Yoshimoto's influence and the appeal of Kansai bumour have been such that, to many Japanese people, comedy fails unless it is performed in the Kansai dialect.

"It is not surprising thet Yoshimoto has been such e success," says Mr Tatsuya Terasawa, a civil servant living in Tokyo, who comes from Osaka. "Everyone in Osaka is like e Yoshimoto comedian. It is no wonder that the better among them should be considered especially good anywbere else."

The cult, according to those who have lived there, begins early in life for Kansai folk. Unlike Tokyo, where schoolboys aspire te achieve high marks or win sports medals, popularity in the Osaka classroom depends less on intelligence or athleticism than oo how funny you are.

The propensity of Kansai people to look for the funny side of things stems from a merchant culture which fostered the knack of spotting the unadorned truth beoeath the respectable show that most people, especially Tokyoites, tend to put on.

"Kansai humour stems from the gap between *tatemae*, or human behaviour that follows the social rules, and *honne*, or tbeir true thougbts and feelings," explains Mr Masashi Noyama, manager of corporste information at Yoshimoto Kogyo.

There is also a happy-go-lucky attitude among Osaka people that contrasts sharply with the sctiousness with which Japanese society takes most things in life, and adds to Kansai humour.

For example, if a cbeque bounces, the Osaka businessman might call his lawyer and say, "something terrible bas happened," as if it had happened to someonc else, points out Mr Noyama. The contrast between the seriousness of the event and the easy-going attitude is what makes the situation funny, he explains.

Yet, while Kansai humour is today widely appreciated throughout Japan, Mr Noyama and others worry that the distinctiveness of the region's culture is being lost behind the uniformity of an increasingly influential mass media.

Like many other things which originated in the Kansai region, local musicians, designers and performers tend to move to Tokyo once they become successful, observes Mr Miyashita, at PIA. There used to be an Osaka blues and soul culture in the 1970s, but that has more or less disappeared; while Kansai theatre performers, including comedians, move to Tokyo in order to go into television.

Concern that Kansai is being drained of talent has prompted the Osaka city government to encourage theatre companies to use public facilities for performances.

The Osaka chamber of commerce aims to encourage tbe study of Osaka as a city by promoting plays that use it as a setting, gift ideas that improve the city's image, and music compact discs by, for example, the Osaka Philharmonic Orchestra.

Others, such as Mr Noyama, hope that, with the spread of the informatioo superhighway, talented performers will no longer have to move to Tokyo.

Michiyo Nakamoto

Kyoto is 1,200 years old, yet celebrations are muted

Developers at bay

Kyoto, Japan's historical and cultural capital, began the year of celebrations commemorating the founding of the city 1,200 years ago, with fireworks and high-tech laser-beam shows.

But the birthday party has yet to pick up, because the occasion falls at a time when the city is still suffering the effects of the burst of the asset "bubble" of the late 1980s and the economic downturn that has followed.

The dramatic rise in property prices and the subsequent fall has hit the city's development activity. During the late 1980s, the increase in development in a city surrounded on three sides by mountains, so that available land is limited, sent real estate prices surging.

Land and condominium prices tripled between 1987 and the peak in 1991, far exceeding the increases in larger cities such as Tokyo and Osaka. But as interest rates have risen and speculative activity has diminished, prices have declined more sharply than in other large cities, falling by half in the past two years.

The strong yen has also hurt Kyoto's export-oriented companies. Earnings have plunged at manufacturers such as Nintendo, the video-game maker, and at high-technology companies Kyocera and Shimadzu.

The economic slump has depressed anniversary festivities, as organisers have failed to collect the full Y30bn ($300m) needed for the planned events from local government and companies.

Yet the economic downturn and the fall in development projects has come as a relief to many conservationists. They claim that enough damage has been dons to the city, and that further development would only harm Kyoto. The city of temples and gardens remains the spiritual home for many Japanese, although traditional wooden houses in the centre have been replaced by investment houses and offices, and temples and shrines share the skyline with condominiums and department stores.

"The Japanese are trying to ruin even what the Americans [in the war] chose to preserve," says Mr Chikou Kiyotaki, high priest of Koryuji Temple, the city's oldest.

Many Buddhist temples have been hardened by their experience during the late 1980s, and are relieved at the current economic downturn. In 1990, Kiyomizu Temple, the most visited in Kyoto at the foot of the eastern hills, was forced to buy adjacent land to fend off developers trying to construct a condominium.

Kiyomizu Temple bought land, to fend off developers Picture: Mija Slank

Along with the Buddhist community, conservationist citizens groups have tried to stop developments. Mr Akira Nakajima, leader of a citizens group against the development of Kyoto, argues that the "hollowing out" of the city stems from the rise in property prices, due to the bubble and not the lack of development.

On the other hand, many of Kyoto's leading businessmen believe a remedy for the faltering economy is a loosening of development restrictions. They claim that excessive conservation, aimed at preserving the city'e skyline and its image as Japan's ancient capital, is restraining Kyoto's vitality.

Some of the businessmen who favour further development go so far as to claim that the city – which was spared US bombing after American academics had persuaded the airforce not to attack Kyoto and destroy its temples and shrines during the war – would have prospered had it suffered as Tokyo did, and therefore been freed from construction restrictions.

"Kyoto is a dead city," says Mr Katsuji Tsunoda, at the Real Estate Research Institute, a private agency that monitors property markets.

Members of the development camp blame a recent population drain on building restrictions that have obliged residents to sell their cramped homes and move outside the city. Universities have also left Kyoto, because of rigid height restrictions.

City officials, also disturbed by the fall in economic activity, have not missed the opportunity to use the 1200th anniversary to request funds from central government and to change stringent rules covering development projects. They recently announced a compromise plan, tightening building rules around historic sites, but easing height restrictions in the southern industrial areas.

Following the rule changes, rebuilding has begun at Kyoto railway station, located in the south of the city, to include a concrete and glass monument, 400 metres wide and 58m high, in commemoration of the anniversary.

The business community hopes the project will help to vitalise the regional economy. They hope the building, which will house a large shopping centre complex and a hotel, will bring young consumers of the Kansai area to Kyoto; while an express railway line, linking the new Kansai airport to Kyoto, which does not have a city airport, will give visitors and cargo easier access.

Many conservationists, however, fear that economic recovery will mean more development and further urbanisation.

Emiko Terazono

William Dawkins offers suggestions to tourists

Imperial and tranquil

The chances are that most foreign tourists in Kansai will be business travellers, and will therefore need to be selective.

The yen's inexorable rise makes a Japanese holiday prohibitively expensive for most foreign travellers, and for an increasing number of Japanese tourists too. For business tourists, inevitably short of time, the secret of getting the most out of Kansai is not to try to see too much at once.

The most popular tourist spot in the region – and in the whole of provincial Japan, for that matter – is of course the former imperial capital, Kyoto, blessed with more than 1,000 Buddhist temples and 400 Shinto shrines.

It received just over 38m visitors last year – 25 times its own population – of which less than 1.5 per cent were foreigners, mainly from North America, South Korea and Taiwan, according to the city's tourist office. The recession has ensured that numbers overall are down by about 15 per cent this year, despite the multiple series of festivals, concerts and exhibitions laid on for Kyoto's 1,200th anniversary.

Mr Teiichi Aramaki, governor of Kyoto prefecture, is using the anniversary as an excuse to lean on central government for cash and planning permission to modernise the city's infrastructure. "We were lucky not to have been bombed in the war, but this means we have to revitalise earlier than many other cities. Kyoto today is trying to regain its vitality," he says.

Not that Kyoto lacks vitality in its present condition. Crowds can be expected at most of the main sites, in and out of season. For most visitors, the first port of call is the the Kiyomizu Temple, propped on massive wooden pillars on a hillside, commanding a splendid view of the city.

The next essential is the golden pavilion, a modern replica of the five-century old original, burned down in 1950. Nearby is Ryoanji temple, with its Zen Buddhist rock-and-gravel garden, which most foreigners and not a few Japanese find an aesthetic puzzle.

If you have any energy left, visit Nijo castle, former residence of the all-powerful Tokugawa Shoguns, who held Japan under despotic rule for two and a half centuries, while puppet emperors lived in splendid confinement just down the road. The Shoguns, never sure from where the next traitor would spring, installed at Nijo what must be one of the world's earliest burglar alarms, floorboards designed to betray intruders by squeaking at every step.

The real pleasure in visiting Kyoto, however, is being able to find your way off the beaten track. It would be a waste of an opportunity to stay in one of the many bland western-style hotels in the city centre, one of which recently annoyed the local monks by flouting a little-observed planning regulation against new buildings more than 40 metres tall.

For visitors who want a flavour of traditional Japan, I recommend one of the old-style tatami room inns in the Higashimaya hills on the outskirts of Kyoto. The best of them have an atmosphere of courtly tranquillity. This is true of "Yachiyo", where I stayed, and which also happens to be three minutes' walk from the delightful Nanzenji temple.

If you are lucky enough to have a second day's sightseeing, I suggest a visit to Nara, a short train ride from Kyoto. This was Japan's first imperial capital, before the emperor switched to Kyoto 1,200 years ago after e row with Nara's Buddhist monks.

Parkland, stocked with hundreds of tame red deer, occupies about half of central Nara. Most of the main sites are situated in pleasant shady glades, from which traffic is banned. Some people – I am one of them – prefer green uncrowded Nara to Kyoto's urban bustle.

It was here that Buddhism first flourished in Japan after being imported from China, from the sixth century. Fortunately Buddhism's most splendid early Japanese traces are still intact, and they are all here.

The grandest of these is the eighth century Great Image of Buddha, said to be one of the largest bronze sculptures in the world. It is housed in the Todaiji Temple, claimed to be the world's largest wooden building, even after being burned down and rebuilt, at two-thirds of its original size, in the late 17th century. Most of Japan's ancient buildings are made of wood, so the fate of Todaiji temple, and Kyoto's golden pavilion is all too common.

Turn left out of Todaiji's main entrance, and wander up stone steps into the wooded hills, which conceal a whole complex of lesser-known temples, repositories for some of Japan's finest religious art. I recommend two for special attention. The Nigatsu-do Hall, reached by a covered stairway, offers a magnificent view of Todaiji's monumental roof. Next to it is the Sangatsu-do Hall, which contains a remarkable collection of early Chinese sculptures of Buddhist deities. They are poorly lit, so take time to let your eyes get used to the gloom.

□ *For accommodation, I can suggest Nara Hotel", a half-timbered 19th century-style edifice, habitually used by members of the Japanese imperial family when they revisit their ancestral roots. It is a short walk from there to the temples. Yachiyo Inn, Kyoto (tel 075 771 4148); Nara Hotel, Nara (tel 0742 26 3300).*